

CHONGHERR INVESTMENTS LTD

ABN: 52 054 161 821

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2019

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

Directors' Report

The directors submit their report together with the consolidated interim financial report for the half year ended 30 June 2019.

DIRECTORS

The names of the company's directors in office during the half year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Dehui Liu (Chairman & Managing Director)

Sophia Xiaoqing Kong

Zhen Lu

Shao Liu

ChongHerr's corporate governance statement is publicly available on the company website.

REVIEW AND RESULTS OF OPERATIONS

The ChongHerr Group sales revenue for the half year was \$328,993 (2018: \$695,219), a fall of 53% from the comparative half year. The consolidated operating result after income tax for the half year is a loss of \$163,412 against the comparison half year's profit \$84,183.

Based on the previous years' record, demands for sandstone are usually higher in the second half of the year and hence the group planned to carry out some improvements on its plant and equipment in the first half year to improve efficiency and prepare for higher production in the second half year. Substantial resources have also been spent to create landform towards rehabilitation on areas which had been disturbed by the mining activities previously. The decline in sales and operations result for the period of review are the result of both improvements works on machinery and the progression of rehabilitation which affected the carrying out of normal production.

During the period of review, sandstone blocks represents 51% of the total sales, of which most were export sales to China.

With the decline in sales and operating performance, the cash position of the group at balance date decreased to \$56,920 from \$121,205 at 31 December 2018. The directors are taking prudent measures by closely monitoring the company's liquidity and financial performance to ensure the going concern of the company. The ability of the Group to continue as a going concern is principally dependent upon:

- The ability of the group to meet its forecast revenue figures;
- The collection of amounts receivable, including amounts past due but not impaired;
- The ability of the group to manage its cashflows to ensure that it is able to meet its debts as they fall due;
- The ability of the group to manage its creditors within the available credit terms; and/ or
- The ability of the group to maintain facilities, plant and equipment to meet forecast revenue figures.

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- The directors expect that trade receivables will be collected in agreed timeframes;
- The directors closely monitor the group's cash flow projections and working capital position and expect to meet the forecasted revenue and cash flow results;
- The directors believe that it is highly probable that group will receive bidders to acquire Zacks Quarry, which had not been in operation for a while at a value not lower than its book value in the coming months; and
- The directors also believe that the major shareholder, Green Mountain Holdings Pty Ltd will provide an unsecured loan to fund the working capital requirements, if circumstances warrant.

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

Directors' Report (continued)

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

SANDSTONE QUARRYING AND PRODUCTION

During the period of review, the quarry produced 800 tons and sold 1,100 tons of premier quality boulders and blocks. As mentioned earlier the lower production in the period was the result of improvement works on some plant and equipment and the progression of rehabilitation. Most of sandstone blocks are exported to China while some are also sold to local factories for luxury development projects. The sandstone boulders are supplied for the building and construction industry in the local market.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The company continues working to improve its efficiencies in production, explore more sales opportunities in the local markets and maintain its focus of marketing in China. The demand of sandstones in both the local and overseas markets are believed to be promising.

Subsequent to 30 June the directors have begun to actively seek bidders to acquire Zacks quarry, which has not been in operation for some years. The directors believe that the realisation of Zacks Quarry will improve the performance of the group as the related sunk costs in maintaining the quarry will be cut and the proceeds from the realisation will be able to fund the expansion of the business.

The directors are carefully monitoring ChongHerr's financial performance and cash flow position to ensure the business operations are profitable.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 4 and forms part of this directors' report for the half year ended 30 June 2019.

Signed in accordance with a resolution of the directors.



Dehui Liu
Managing Director

30 August 2019

Lead Auditor's Independence Declaration

Under Section 307C of the Corporations Act 2001

To the Directors of ChongHerr Investments Ltd

As lead auditor for the review of ChongHerr Investments Ltd for the half year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions to the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of ChongHerr Investments Ltd and the entities it controlled during the period.

Nexia Brisbane Audit Pty Ltd

Nexia Brisbane Audit Pty Ltd

Robertson

Ann-Marie Robertson

Director

Date: 30 August 2019

Nexia Brisbane Audit Pty Ltd

Registered Audit Company 299289

Level 28, 10 Eagle Street

Brisbane QLD 4000

GPO Box 1189

Brisbane QLD 4001

p +61 7 3229 2022

f +61 7 3229 3277

e email@nexiabrisbane.com.au

w nexia.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Nexia Brisbane Audit Pty Ltd (ABN 49 115 261 722) is an independent firm of Chartered Accountants. It is affiliated with, but independent from Nexia Australia Pty Ltd, which is a member of Nexia International, a worldwide network of independent accounting and consulting firms. Neither Nexia International nor Nexia Australia Pty Ltd, deliver services in its own name or otherwise. Nexia International Limited and the member firms of the Nexia International network (including those members which trade under a name which includes NEXIA) are not part of a worldwide partnership.

The trademarks NEXIA INTERNATIONAL, NEXIA and the NEXIA logo are owned by Nexia International Limited and used under licence.

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 JUNE 2019

	<i>Notes</i>	<i>CONSOLIDATED</i>	
		<i>30 June 2019</i>	<i>30 June 2018</i>
			\$
Revenue			
Sale of goods		328,993	695,219
Cost of sales		(287,521)	(432,643)
Gross profit		41,472	262,576
Other income	2(i)	18,216	41,909
Selling and distribution expenses		(107,204)	(108,658)
Corporate and administration expenses		(111,458)	(110,895)
Impairment of trade receivables	2(ii)	(4,433)	-
Finance costs		(6)	(749)
(Loss)/Profit before income tax		(163,412)	84,183
Income tax expense		-	-
(Loss)/Profit after income tax		(163,412)	84,183
(Loss)/Profit for the period		(163,412)	84,183
Other comprehensive income		-	-
Total comprehensive profit for the period		(163,412)	84,183
Earnings per share (cents per share)			
– basic earnings/(diluted) per share		(0.13)	0.06
– dividends paid per share	3	-	-

The Consolidated Statement of Profit or Loss and Comprehensive Income is to be read in conjunction with the notes to the consolidated interim financial report set out on pages 9 to 15.

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 JUNE 2019

	<i>Issued Capital \$</i>	<i>CONSOLIDATED Accumulated Losses \$</i>	<i>Total equity \$</i>
At 1 January 2018	18,373,250	(16,759,591)	1,613,659
Profit for the period	-	84,183	84,183
Other comprehensive income	-	-	-
Total comprehensive income for the period	18,373,250	(16,675,408)	1,697,842
Transactions with owners in their capacity as owners	-	-	-
At 30 June 2018	18,373,250	(16,675,408)	1,697,842
At 1 January 2019	18,373,250	(16,692,036)	1,681,214
(Loss) for the period	-	(163,412)	(163,412)
Other comprehensive income	-	-	-
Total comprehensive income for the period	18,373,250	(16,855,448)	1,517,802
Transactions with owners in their capacity as owners	-	-	-
At 30 June 2019	18,373,250	(16,855,448)	1,517,802

At 30 June 2019 ChongHerr Investments Limited has 130,207,396 ordinary shares on issue (2018: 130,207,396).

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the consolidated interim financial report set out on pages 9 to 15.

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

<i>CONSOLIDATED</i>			
	<i>Notes</i>	<i>As at 30 June 2019 \$</i>	<i>As at 31 December 2018 \$</i>
ASSETS			
Current Assets			
Cash and cash equivalents	4	55,920	121,205
Trade and other receivables	5	281,355	293,263
Inventories		74,469	117,306
Prepayments		12,618	22,995
Total Current Assets		424,362	554,769
Non-current Assets			
Other financial assets		171,972	219,789
Property, plant and equipment	6	380,514	349,251
Quarry and reserves	7	1,044,997	1,050,884
Exploration & evaluation assets		14,611	14,611
Total Non-current Assets		1,612,094	1,634,535
TOTAL ASSETS		2,036,456	2,189,304
LIABILITIES			
Current Liabilities			
Trade and other payables		310,559	290,304
Provisions		41,322	54,756
Total Current Liabilities		351,881	345,060
Non-current Liabilities			
Provisions		166,773	163,030
Total Non-current Liabilities		166,773	163,030
TOTAL LIABILITIES		518,654	508,090
NET ASSETS		1,517,802	1,681,214
EQUITY			
Issued capital		18,373,250	18,373,250
Accumulated losses		(16,855,448)	(16,692,036)
TOTAL EQUITY		1,517,802	1,681,214

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the consolidated interim financial report set out on pages 9 to 15.

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 JUNE 2019

<i>CONSOLIDATED</i>		
	<i>30 June</i>	<i>30 June</i>
<i>Notes</i>	<i>2019</i>	<i>2018</i>
	<i>\$</i>	<i>\$</i>
Cash flows from operating activities		
Receipts from customers	357,218	663,194
Payments to suppliers and employees	(430,965)	(675,250)
Interest received	360	385
Other finance costs	(6)	(748)
Receipts from fuel credit refund	15,222	41,526
Net cash flows generated/ (used)from operating activities	(58,171)	29,107
Cash flows from investing activities		
Invested in other financial assets	(2,500)	(309)
Proceeds from redemption of other financial assets	50,317	-
Payments for plant and equipment	(54,931)	(815)
Payments for quarry	-	-
Net cash flows used in investing activities	(7,114)	(1,124)
Cash flows from financing activities		
Repayment of lease liabilities	-	(24,121)
Net cash flows used in financing activities	-	(24,121)
Net increase/(decrease) in cash and cash equivalents	(65,285)	3,862
Cash and cash equivalents at beginning of period	121,205	70,659
Cash and cash equivalents at end of period	4 55,920	74,521

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the consolidated interim financial report set out on pages 9 to 15.

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2019

1 BASIS OF PREPARATION

The consolidated interim financial statements cover the consolidated entity of ChongHerr Investments Ltd and its controlled entity (the “ChongHerr Group”). ChongHerr Investments Ltd is a listed public company incorporated and domiciled in Australia.

The consolidated financial statements of the Group as at and for the year end 31 December 2018 are available upon request from the Company’s secretary by calling Tel: +617 3711 2088, emailing: info@chongherr.com.au or mailing to P O Box 3584, Sunnybank South 4109, Queensland.

These financial statements were authorised for issue by the Board of Directors on 30 August 2019.

(a) Statement of compliance

These general purpose interim financial statements for the half-year reporting period ended 30 June 2019 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of ChongHerr Investments Ltd. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2018, together with any public announcements made during the following half-year.

(b) Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements. The impacts of accounting standard issued but not yet effective is not considered to be material except in relation to some of the matters discussed at Note 1(c) below.

(c) New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019). As at the reporting date, the directors have concluded that there will be no impact on the financial statements on the application of AASB 16.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2019

(d) Going Concern

The Group made a loss of \$163,412 for the half-year ended 30 June 2019. As at 30 June 2019 the Group has a net cash reserve of \$55,920, net current assets of \$72,481 and net assets of \$1,517,802.

Included in current assets, there are some trade receivables (totalling \$311,996) past due normal trading terms of 90 days and not impaired. The Directors closely monitor trading and the collection of those amounts owing.

The ability of the Group to continue as a going concern is principally dependent upon:

- The ability of the group to meet its forecast revenue figures;
- The collection of amounts receivable, including amounts past due but not impaired;
- The ability of the group to manage its cashflows to ensure that it is able to meet its liabilities as they fall due;
- The ability of the group to manage its creditors within the available credit terms; and/ or
- The ability of the group to maintain facilities, appropriate staffing, and plant and equipment to meet forecast revenue figures.

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- The directors expect that trade receivables will be collected in agreed timeframes;
- The directors closely monitor the group's cash flow projections and working capital position and expect to meet the forecasted revenue and cash flow results;
- The directors believe that it is highly probable that the group will receive bidders to acquire Zacks Quarry, which had not been in operation for a while, at a value not lower than its book value in the coming months; and
- Green Mountain Holding Pty Ltd, a major shareholder of the company, will provide an unsecured loan to fund the working capital requirements, if circumstances warrant.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2019

<i>CONSOLIDATED</i>	
<i>30 June</i>	<i>30 June</i>
<i>2019</i>	<i>2018</i>
\$	\$

2 REVENUE AND EXPENSES

The result before income tax expense includes the following specific revenues and expenses:

(i) Other income

Finance income:

Interest income

Other income

2,994	383
15,222	41,526
18,216	41,909

(ii) Specific expense items

Depreciation

Amortisation of quarry and reserves

Impairment of trade receivables

Employee benefits

23,667	33,182
5,887	21,212
4,433	-
206,988	283,042

3 DIVIDENDS PAID AND PROPOSED

Equity dividends on ordinary shares:

(a) Dividends paid during the half year

(b) Dividends proposed and not recognised as a liability

-	-
-	-
-	-

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2019

		<i>CONSOLIDATED</i>	
		<i>As at 30 June 2019 \$</i>	<i>As at 31 December 2018 \$</i>
4 CASH AND CASH EQUIVALENTS			
Cash at the end of financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:			
Cash at bank and in hand		55,920	121,205
Bank overdraft		-	-
		<u>74,521</u>	<u>121,205</u>
5 TRADE AND OTHER RECEIVABLES			
Current			
Trade receivables (a)		395,241	405,630
Provision for impairment		(119,029)	(114,596)
		<u>276,212</u>	<u>291,035</u>
Other receivables		5,143	2,228
		<u>281,355</u>	<u>293,263</u>

- (a) At 30 June 2019, there are three (3) substantial trade receivables amounting to \$83,192 (2018: nil), \$59,410 (2018:145,112) and \$46,734 (2018: 54,734) respectively, arising from sales in the current and previous period. These 3 receivables accounted for 67% of the unimpaired total balance of trade receivables. While the amount being past due, the directors are confident that the debts will be fully recovered.

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2019

		<i>CONSOLIDATED</i>	
		<i>As at 30 June 2019 \$</i>	<i>As at 31 December 2018 \$</i>
6	PROPERTY, PLANT & EQUIPMENT		
	Quarry land	141,042	141,042
		<u>141,042</u>	<u>141,042</u>
	Plant & equipment	3,538,308	3,483,378
	Accumulated depreciation and impairment	(3,298,836)	(3,275,169)
		<u>239,472</u>	<u>208,209</u>
		<u>380,514</u>	<u>349,251</u>
	Acquisitions and disposals		
	During the six months ended 30 June, the company acquired the following assets :		
	• 1 unit of 150KVA generator		
	• 1 unit of 8KVA generator		
	• 1 unit of tip truck		
7	QUARRY AND RESERVES		
	Capitalised expenditure on acquisition, evaluation and development - at cost	4,836,999	4,836,999
		<u>4,836,999</u>	<u>4,836,999</u>
	Accumulated amortisation	(1,417,645)	(1,411,758)
	Provision for impairment	(2,374,357)	(2,374,357)
		<u>1,044,997</u>	<u>1,050,884</u>
8	EXPLORATION AND EVALUATION ASSETS		
	Capitalised expenditure on acquisition, evaluation and development - at cost	14,611	14,611
		<u>14,611</u>	<u>14,611</u>

CHONGHERR INVESTMENT LTD – INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2019

9 SEGMENT REPORTING

The ChongHerr Group operates solely within the sandstone quarrying industry in Queensland. South-east Asia (especially China) and Australia are the key markets for the company's product. The Group manages its business on a geographical basis which reflects the strategic, financial and operational needs of the group. The South-east Asia segment reflects sales and marketing activities; the Australia segment reflects sales, marketing, production and corporate activities. The South-east Asia segment is closely integrated with the Australian segment, as it draws its product from Australia.

Group performance is monitored through segment performance, as this is most relevant to the Group structure. The following table presents financial information regarding geographical segments.

	<i>South-east Asia</i>	<i>Australia</i>	<i>Total</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>
30 June 2019 (six month period)			
External revenue	153,182	191,033	344,215
Interest income	-	2,994	2,994
Interest expense	-	(6)	(6)
Depreciation and Amortisation	-	(29,554)	(29,554)
Reportable segment profit before income tax	14,446	16,162	30,608
Unallocated Employees Benefits			(150,331)
Unallocated other costs			(43,689)
Consolidated (loss) before income tax			(163,412)
30 June 2018 (six month period)			
External revenue	124,696	612,048	736,744
Interest income	-	383	383
Interest expense	-	(749)	(749)
Capitalised exploration expenses written off	-	-	-
Depreciation and Amortisation	-	(54,394)	(54,394)
Reportable segment (loss) before income tax	47,053	230,587	277,640
Unallocated Employees Benefits			(150,727)
Unallocated other costs			(42,730)
Consolidated profit before income tax			84,183

Segment result represents the profit/(loss) earned by each segment without allocation of corporate/administration cost and finance costs.

The revenue reported above represents revenue generated from external customers on the basis of geographical location of customer.

CHONGHERR INVESTMENT LTD – INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2019

9 SEGMENT REPORTING (continued)

	<i>South-east Asia</i> \$	<i>Australia</i> \$	<i>Total</i> \$
30 June 2019			
Segment assets	189,337	1,847,119	2,036,456
Unallocated assets			-
Total assets			2,036,456
Segment liabilities	-	518,654	518,654
Unallocated liabilities			-
Total liabilities			518,654
Capital expenditure	-	54,930	54,930
31 December 2018			
Segment assets	199,847	1,989,457	2,189,304
Unallocated assets			-
Total assets			2,189,304
Segment liabilities	-	508,090	508,090
Unallocated liabilities			-
Total liabilities			508,090
Capital expenditure	-	816	816

All assets and liabilities are allocated to reportable segments on the basis of geographical location.

10 EVENTS AFTER THE BALANCE DATE

The following matters or circumstances have arisen since the end of the financial period:

- Subsequent to 30 June the directors have begun to actively seek bidders to acquire Zacks quarry, which has not been in operation for some years.
- The quarry has been temporarily closed during August 2019 due to human resources restructuring aiming for better production. Directors expect that the operations at the quarry be resumed next month when the restructuring of human resources completed.

There are no other matters or circumstances have arisen since the end of the financial period that have significantly affected or may significantly affect the operations of the ChongHerr Group, the results of those operations, or the state of affairs of the ChongHerr Group in subsequent financial periods.

11 COMMITMENTS & CONTINGENCIES

At 30 June 2019, the ChongHerr Group had no commitments to purchase capital equipment and no contingent assets or contingent liabilities.

CHONGHERR INVESTMENTS LTD– INTERIM FINANCIAL REPORT

Directors' Declaration

The directors of ChongHerr Investments Ltd (“the Company”) declare that:

- a) the financial statements and notes set out on pages 5 to 15 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standard AASB 134 “Interim Financial Reporting”; and
 - (ii) giving a true and fair view of the Group’s financial position as at 30 June 2019 and of its performance for the six months ended on that date; and
- b) In the directors’ opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors



Dehui Liu
Managing Director

Dated 30 August 2019.

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CHONGHERR INVESTMENTS LTD

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of ChongHerr Investments Ltd (the company), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year-ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of ChongHerr Investments Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Nexia Brisbane Audit Pty Ltd

Registered Audit Company 299289
Level 28, 10 Eagle Street
Brisbane QLD 4000
GPO Box 1189
Brisbane QLD 4001
p +61 7 3229 2022
f +61 7 3229 3277
e email@nexiabrisbane.com.au
w nexia.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Nexia Brisbane Audit Pty Ltd (ABN 49 115 261 722) is an independent firm of Chartered Accountants. It is affiliated with, but independent from Nexia Australia Pty Ltd, which is a member of Nexia International, a worldwide network of independent accounting and consulting firms. Neither Nexia International nor Nexia Australia Pty Ltd, deliver services in its own name or otherwise. Nexia International Limited and the member firms of the Nexia International network (including those members which trade under a name which includes NEXIA) are not part of a worldwide partnership.

The trademarks NEXIA INTERNATIONAL, NEXIA and the NEXIA logo are owned by Nexia International Limited and used under licence.

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CHONGHERR INVESTMENTS LTD (continued)***Independence***

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of ChongHerr Investments Ltd as attached to the directors' report, would be in the same terms if provided to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of ChongHerr Investments Ltd is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the half-year ended on that date; and
- (b) complying with AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1(d) in the half year financial report, which indicates that the ability of the company and the consolidated entity to continue as a going concern is principally dependent upon meeting forecast revenue figures, the collection of receivables, the ability to manage cashflows, the maintenance of facilities, plant and equipment and the continued support of shareholders. These matters, along with other issues as set out in Note 1(d), indicate the existence of a material uncertainty that may cast significant doubt about the ability to continue as a going concern so that it may not be able to realise its assets and discharge its liabilities in the normal course of business.

Nexia Brisbane Audit Pty Ltd
Nexia Brisbane Audit Pty Ltd

Robertson

AM Robertson
Director

Level 28, 10 Eagle Street,
Brisbane, QLD, 4000

30 August, 2019