

CHONGHERR INVESTMENTS LTD

ABN: 52 054 161 821

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2014

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

Directors' Report

Your directors submit their report together with the consolidated interim financial report for the half year ended 30 June 2014.

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 \$242,207 (2013: \$831,451), a fall of 70.86% from the comparative half year. The consolidated net loss after income tax for the half year was \$1,729,164 (2013: \$139,115 loss), an increase of \$1.59 million from the previous corresponding half year loss.

The sharp increase in loss for the period is mainly attributable to the impairment of a loan owed by an unrelated entity Jin Feng Da International Trading Co. Limited, amounting to \$1,831,899. Sales dropped substantially as the company temporarily ceased self-production since the beginning of the year. The closure was required as there was no quarry safety supervisor employed. Sales for the period were solely receipt of self-loaded boulders from a contractor. While seeking to recruit a competent site safety supervisor to resume quarry production and to ensure its operation in compliance with Mining and Quarry Safety and Health Regulation, the company is also exploring a more efficient operating platform to fight against the soaring prices of fuel and labour.

During the period, the group had managed to recover a sum \$237,504 of fuel tax credit pertaining to consumption of fuel in the past four years. Out of the total balance, \$210,052 had been received during the period, which greatly relieved the entity's cash position. The remaining amount has been received since year end.

The company's cash position remains tight and directors are closely monitoring the company's liquidity and financial performance

SANDSTONE QUARRYING AND PRODUCTION

There was no self-production during the period. Production generated through the company's sub-contractor remained comparable to the corresponding period in 2013.

OVERSEAS SALES AND MARKETING

There was no export of blocks during the period as the group's production had ceased temporarily. The Board however anticipates that the market outlook for sandstone products remains strong in China, and the Company will continue to explore further sales opportunities in Australia and other overseas markets, to sell blocks bought back from the contractors and production from its own operation, once it is resumed.

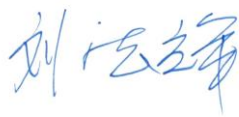
CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

Directors' Report (continued)

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 2014.

Signed in accordance with a resolution of the directors.



Dehui Liu
Managing Director

29 August 2014

DECLARATION OF INDEPENDENCE BY ALBERT LOOTS TO THE DIRECTORS OF CHONGHERR INVESTMENTS LTD

As lead auditor for the review of Chongherr Investments Ltd for the half-year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



A S Loots
Director

BDO Audit Pty Ltd

Brisbane, 29 August 2014

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2014

	<i>Notes</i>	<i>CONSOLIDATED</i>	
		<i>30 June 2014</i>	<i>30 June 2013</i>
		\$	
Revenue			
Sale of goods	2(i)	242,207	831,451
		<u>242,207</u>	<u>831,451</u>
Cost of sales		(210,153)	(695,976)
		<u>32,054</u>	<u>135,475</u>
Gross profit			
Other income	2(ii)	307,957	108,153
Selling and distribution expenses		-	(52,322)
Corporate and administration expenses		(211,113)	(306,374)
Finance costs & other expenses		(26,163)	(24,047)
Impairment of other receivables	5(b)	(1,831,899)	
		<u>(1,729,164)</u>	<u>(139,115)</u>
Loss before income tax			
Income tax expense		-	-
		<u>(1,729,164)</u>	<u>(139,115)</u>
Loss after income tax			
		<u>(1,729,164)</u>	<u>(139,115)</u>
Loss for the period			
		<u>(1,729,164)</u>	<u>(139,115)</u>
Other comprehensive income		-	-
		<u>(1,729,164)</u>	<u>(139,115)</u>
Total comprehensive loss for the period			
		<u>(1,729,164)</u>	<u>(139,115)</u>
 Earnings per share (cents per share)			
– basic earnings per share		(1.51)	(0.12)
– diluted earnings per share		(1.51)	(0.12)
– dividends paid per share	3	-	-
		<u>-</u>	<u>-</u>

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 2014

	<i>Issued Capital \$</i>	<i>CONSOLIDATED Accumulated Losses \$</i>	<i>Total equity \$</i>
At 1 January 2013	18,218,667	(13,554,200)	4,664,467
Loss for the period	-	(139,115)	(139,115)
Other comprehensive income	-	-	-
Total comprehensive income for the period	18,218,667	(13,693,315)	4,525,352
Transactions with owners in their capacity as owners	-	-	-
At 30 June 2013	18,218,667	(13,693,315)	4,525,352
At 1 January 2014	18,218,667	(14,065,884)	4,152,783
Loss for the period	-	(1,729,164)	(1,729,164)
Other comprehensive income	-	-	-
Total comprehensive income for the period	18,218,667	(15,795,048)	2,423,619
Transactions with owners in their capacity as owners	-	-	-
At 30 June 2014	18,218,667	(15,795,048)	2,423,619

At 30 June 2014 ChongHerr Investments Limited has 114,608,952 ordinary shares on issue (2013:114,608,952).

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 2014

<i>CONSOLIDATED</i>			
	<i>Notes</i>	<i>As at 30 June 2014 \$</i>	<i>As at 31 December 2013 \$</i>
ASSETS			
Current Assets			
Cash and cash equivalents		133	5,618
Trade and other receivables	5	274,997	472,542
Inventories		126,504	126,504
Prepayments		41,651	31,501
Total Current Assets		443,285	636,165
Non-current Assets			
Trade and other receivables	5	61,328	1,745,458
Other financial assets		143,305	142,045
Property, plant and equipment	6	850,745	962,983
Quarry and reserves	7	1,895,202	1,895,202
Exploration & evaluation assets		133,600	133,328
Total Non-current Assets		3,084,180	4,879,016
TOTAL ASSETS		3,527,465	5,515,181
LIABILITIES			
Current Liabilities			
Trade and other payables		507,150	536,305
Loans and borrowings		201,215	325,585
Provisions		32,684	56,736
Total Current Liabilities		741,049	918,626
Non-current Liabilities			
Loans and borrowings		213,143	294,905
Provisions		149,654	148,867
Total Non-current Liabilities		362,797	443,772
TOTAL LIABILITIES		1,103,846	1,362,398
NET ASSETS		2,423,619	4,152,783
EQUITY			
Issued capital		18,218,667	18,218,667
Accumulated losses		(15,795,048)	(14,065,884)
TOTAL EQUITY		2,423,619	4,152,783

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 2014

CONSOLIDATED			
	Notes	30 June 2014 \$	30 June 2013 \$
Cash flows from operating activities			
Receipts from customers		213,108	894,109
Payments to suppliers and employees		(459,789)	(944,547)
Interest received		118,752	1,865
Interest other finance costs		(24,953)	(24,047)
Refund of fuel tax credit		210,052	-
Net cash flows from/ (used) in operating activities		57,170	(72,620)
Cash flows from investing activities			
Payments for quarry		-	(5,102)
Net cash flows used in investing activities		-	(5,102)
Cash flows from financing activities			
Advanced proceeds for capital raising		144,687	-
Repayment of lease liabilities		(78,572)	(65,330)
Net cash flows from/(used) in financing activities		66,115	(65,330)
Net increase/ (decrease) in cash and cash equivalents		123,285	(143,052)
Cash and cash equivalents at beginning of period		(164,495)	(17,055)
Cash and cash equivalents at end of period	4	(41,210)	(160,107)

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 2014

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 nature of the operations and principal activities of the ChongHerr Group are described in Note 8.

The consolidated financial statements of the Group as at and for the year end 31 December 2013 are available upon request from the Company’s registered office at 17 Ribands Place, Sunnybank Hills, Queensland.

(a) Statement of compliance

These general purpose interim financial statements for the half-year reporting period ended 30 June 2014 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 and its controlled entity (referred to as the “ChongHerr Group” or “Group”). 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 2013, 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 no 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.

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

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

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

- AASB 10 Consolidated Financial Statements
- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2014

(d) Going Concern

The Group incurred a net loss of \$1,729,164 for the half year ended 30 June 2014 after recording an impairment of other receivables of \$1,831,899. As at 30 June 2014 the Group has a net cash deficit of \$41,210 (including an overdraft of \$41,343), a net current asset deficiency of \$297,764 and net assets surplus of \$2,423,619.

Included in total assets is trade receivable \$172,328 past due normal trading terms of 90 days relating to Shenzhen Helidon Sandstone Ltd (see note 5). The Directors closely monitor trading with this customer and the collection of amounts owing. Whilst the receivable is overdue, the directors consider the balance is fully recoverable as Shenzhen Helidon Sandstone Ltd has been making monthly repayments since July 2014.

During the period the main operating quarry of the Group has been without a Quarry Safety Supervisor and as a result has been unable to operate.

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

- The collection of the amounts owed by Shenzhen Helidon in line with the group's cashflow forecast;
- The completion of a successful share placement (refer note 10);
- The ability of the group to reopen the main quarry;
- The ability of the group to meet its forecast revenue figures; and
- The ability of the group to manage its creditors within available credit terms and working capital resources.

These conditions give rise to material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

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

- The directors expect that Shenzhen Helidon will repay the amounts owing in line with the group's cash flow forecasts;
- The company expects that it will be able to successfully receive the remaining capital funds from potential investors as part of the share placement that is underway;
- the directors expects that the quarry will reopen within the next 6 months; and
- 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 these are sufficient to continue to fund the Group's working capital requirements.

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 2014

CONSOLIDATED
30 June 30 June
2014 2013
\$ \$

2 REVENUE AND EXPENSES

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

(i) Revenue

Sale of goods	242,207	831,457
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Sales dropped substantially as the company temporarily ceased self-production during the period. The closure was required as there was no quarry safety supervisor employed. Sales for the period were solely receipt of self-loaded boulders from a contractor. There was no export sales of blocks during the period.

(ii) Other income

Finance income :		
Interest income	3,042	1,895
Interest income (refer note (b))	67,411	67,411
Fuel tax credit	237,504	-
Other income	-	38,847
	<u>307,957</u>	<u>108,153</u>

(iii) Specific expense items

Impairment of other receivables (refer note 5 (b))	1,831,899	-
Depreciation	112,238	116,142
Amortisation of quarry and reserves	-	11,257
Employee benefits	198,982	409,626
Rental expense on operating leases	-	60,757

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	-	-
	<u>-</u>	<u>-</u>

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2014

		<i>CONSOLIDATED</i>	
		<i>As at 30 June 2014 \$</i>	<i>As at 31 December 2013 \$</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		133	5,618
Bank overdraft		(41,343)	(170,113)
		<u>(41,210)</u>	<u>(164,495)</u>
5 TRADE AND OTHER RECEIVABLES			
Current			
Trade receivables (a)		277,231	411,374
Provision for impairment		(77,951)	(77,951)
		<u>199,280</u>	<u>333,423</u>
Other receivables		25,717	139,119
		<u>224,997</u>	<u>472,542</u>
Non-current			
Trade receivables (a)		61,328	-
Other receivables (b)		-	1,745,458

(a) As detailed in the 2013 Annual Report, the company's major customer has been Shenzhen Helidon Sandstone Ltd, based in China. In the year ended 31 December 2013, trading with this customer has been on extended terms. As at 30 June 2014, the total amount receivable from this debtor is \$172,328.

The directors closely monitor this customer and collection of amounts receivable. The Customer is now committed to a repayment plan of \$9,000 per month and excluding any future sales to the company, the debt would be fully recovered by January 2016. Subsequent to year end, the Group received the first repayment of \$12,000 in July and the second repayment of \$9,000 in August. The directors are satisfied with its repayment arrangement.

(b) Other receivables as at 31 December 2013 comprised a secured loan to Jin Feng Da International Trading Co. Limited, an unrelated entity registered in Hong Kong with a total balance of \$1,884,577. During the period interest of \$67,441 was accrued and repayments of \$120,119 were received resulting in a total balance of \$1,831,899 as at 30 June 2014

The loan was fully provided for on 30 June 2014.

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2014

	<i>CONSOLIDATED</i>	
	<i>As at 30 June 2014 \$</i>	<i>As at 31 December 2013 \$</i>
6 PROPERTY, PLANT & EQUIPMENT		
Quarry land	141,042	141,042
	<u>141,042</u>	<u>141,042</u>
Owned plant & equipment	2,058,800	2,058,800
Accumulated depreciation and impairment	<u>(1,731,716)</u>	<u>(1,684,454)</u>
	<u>327,084</u>	<u>374,346</u>
Leased plant & equipment	1,707,038	1,707,038
Accumulated amortisation	<u>(1,324,419)</u>	<u>(1,259,443)</u>
	<u>382,619</u>	<u>447,595</u>
	<u>850,745</u>	<u>962,983</u>

Acquisitions and disposals

During the six months ended 30 June there were no additions or disposals.

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	(1,307,012)	(1,307,012)
Provision for impairment	<u>(1,634,785)</u>	<u>(1,634,785)</u>
	<u>1,895,202</u>	<u>1,895,202</u>

CHONGHERR INVESTMENT LTD – INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2014

8 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. 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> \$
30 June 2014 (six month period)			
External revenue	-	242,207	242,207
Interest income	67,441	3,012	70,453
Interest expense	-	(26,163)	(26,163)
Depreciation and Amortisation	-	112,238	112,238
Impairments of other receivables	(1,831,899)	-	(1,831,899)
Reportable segment profit before income tax	(1,764,458)	243,395	(1,521,063)
Unallocated corporate expenses			(187,577)
Employee benefits			(20,524)
All other costs			(1,729,164)
Consolidated loss before income tax			
30 June 2013 (six month period)			
External revenue	199,797	631,654	831,451
Interest income	67,441	1,865	69,306
Interest expense	-	(24,047)	(24,047)
Depreciation and Amortisation	-	127,399	127,399
Impairment of loan	-	-	-
Reportable segment profit before income tax	5,687	89,969	95,656
Unallocated corporate expenses			(127,531)
Employee benefits			(107,240)
All other costs			(139,115)
Consolidated profit before income tax			

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 2014

8 SEGMENT REPORTING (continued)

	<i>South-east Asia</i>	<i>Australia</i>	<i>Total</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>
30 June 2014			
Segment assets	172,328	3,355,137	3,527,465
Unallocated assets			-
Total assets			3,527,465
Segment liabilities	-	1,103,846	1,103,846
Unallocated liabilities			-
Total liabilities			1,103,846
31 December 2013			
Segment assets	2,053,785	3,461,396	5,515,181
Unallocated assets			-
Total assets			5,515,181
Segment liabilities	-	1,362,398	1,362,398
Unallocated liabilities			-
Total liabilities			1,362,398
Other material non-cash items			
Impairment loss	-	(77,951)	(77,951)
Capital expenditure	-	293,702	293,702

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

9 EVENTS AFTER THE BALANCE DATE

No matters or circumstances have arisen since the end of the financial period that 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.

10 SHARE PLACEMENT

On 27 February 2014 the Group announced that it was undertaking a placement to raise up to \$170,000. Advance proceeds relating to this raising of \$144,687 have been received by the Group. As at 30 June 2014 no shares have been allocated and this amount is included as a payable on the statement of financial position.

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 2014 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

Dated this 29th day of August 2014.



Dehui Liu
Managing Director

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, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

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 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 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 consolidated entity's financial position as at 30 June 2014 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 a 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.

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, would be in the same terms if given 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 2014 and of its performance for the half-year ended on that date; and
- B. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *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 consolidated entity to continue as a going concern is dependent upon the receipt of long outstanding trade debtors amounting to \$172,328, the ability of the consolidated entity to reopen its main quarry site and the ability to meet its forecast revenue targets. These conditions, along with other matters as set out in Note 1(d), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit Pty Ltd



A S Loots
Director

Brisbane, 29 August 2014