ANNOUNCEMENT TO THE MARKET

27 February 2009

ASX Company Release

Release to the Market

Result for the Year Ended 31 December 2008

ChongHerr Investments Ltd is pleased to announce its financial result for the year ended 31 December 2008.

It has been another difficult year for the Company and the directors are actively working to enhance the Company's financial position. The Company recorded sales revenue of $2,457,882 in 2008, which was a reduction from 2007. The company incurred a loss of $1,281,564 which includes impairment losses of $1,647,451.

The company's Appendix 4E and Annual report is attached.

2009 Outlook

Today, the secured contracts on-hand are worth $2.45 million. 2009 will be another significant year for our Company. We shall continue to focus on increasing production and sales. However in the current world economic and financial circumstances, trading conditions are expected to be difficult and the Group's operations and finances will need to be carefully managed.

For further information, please contact Mr De Hui Liu on 07 3221 1166.

Mr De Hui Liu
Managing Director
ChongHerr Investments Ltd
27 February 2009
Brisbane, Australia

CHONGHERR INVESTMENTS LTD

ABN 52 054 161 821

YEAR ENDING 31 DECEMBER 2008

APPENDIX 4E

1. RESULTS FOR ANNOUNCMENT TO THE MARKET

Sales revenue totals $2,457,882 representing a decrease of $534,798 (18 %) as compared with the previous corresponding period (year ended 31 December 2007).

The result from continuing ordinary activities after tax (and the net result for the period) attributable to members is a loss of $1,281,564, representing a decrease of $1,452,751 over the previous corresponding period (2007: decrease $543,510).

2008 was a difficult year for the Company. The business strategy of selling sandstone product to a major customer in China was maintained, but the company's liquidity position remained very tight. Furthermore, the Directors took the decision to seek the sale of one of the company's quarries, which resulted in a significant write-down against book value to an estimated recoverable value, reflecting current economic conditions. The result before impairment losses of $1,647,451 was a profit of $365,887.

Sales prospects for the next 12 months are encouraging. China is the company's major market and prospects remain strong, although current world economic conditions make forecasts very difficult.

The Board remains positive about the future of the company given its current position in the Chinese market place. The Board believes that the company, being an Australian resource company with a proven product in China, is well positioned to cater for the demand resulting from the growth of the Chinese economy. The directors are carefully monitoring ChongHerr's financial performance and position.

The financial report has been prepared on a going concern basis that contemplates the continuity of normal operating activities and the realisation of assets and settlement of liabilities in the normal course of business.

At 31 December 2008 the ChongHerr Group's consolidated balance sheet shows total assets of $6,008,993, total liabilities of $1,245,915, and net assets of $4,763,078. Current assets total $4,064,963 and include cash assets of $398, receivables of $2,519,566 and assets held for sale of $1,100,000. Current liabilities total $854,273.

For a number of years the ChongHerr Group's major revenue source has been the sale of its products into the Chinese market, and in particular to one customer Shenzen Helidon Sandstone Ltd. The Group has been and is economically dependent on this customer. Included in trade receivables at balance date is $2,191,006 relating to this customer. As set out in note 9 in the financial statements, this receivable is subject to extended repayment arrangements.

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 and have measures in place to achieve recovery. The outstanding receivable balance has resulted in a low level of liquidity in the Group.

The Group's ability to continue trading as a going concern is dependent upon the collection of the amounts owing. Based on the Group's cashflow projections for the year ending 31 December 2009, the agreed repayment arrangement with the customer would allow the Group to operate within its existing bank overdraft facility.

2. NET TANGIBLE ASSET BACKING

Net tangible asset backing per security as at 31 December 2008 is 4.15 cents (31 December 2007 5.274 cents).

3. CHANGE IN COMPOSITION OF THE REPORTING ENTITY

ChongHerr Investments Ltd has not gained/lost control of any entity during the period.

4. DIVIDENDS

The directors do not recommend the payment of a dividend for the period. There is no dividend reinvestment plan in place.

5. DETAILS OF ASSOCIATES OR JOINT VENTURE ENTITIES

ChongHerr Investments Ltd has no associates or joint venture entities as at 31 December 2008.

6. FOREIGN ENTITIES

ChongHerr Investments Ltd is incorporated and domiciled in Australia.

7. FINANCIAL REPORT

The financial report has been prepared in accordance with the requirements of the Corporations Act 2001.

The financial report is attached and includes the report issued by the company's auditor. The audit report is unqualified but carries an emphasis of matter paragraph.

For further information contact:

Mr Dehui Liu
Managing Director
ChongHerr Investments Ltd

27 February 2009

ChongHerr

INVESTMENTS LTD

Annual Report 2008

CHONGHERR INVESTMENTS LTD

ABN 52 054 161 821

CORPORATE INFORMATION

Directors
Mr De Hui Liu (Chairman, Managing Director)
Mr Zhen Lu
Ms Sophia Xiaoqing Kong

Company Secretary
Ms Sophia Xiaoqing Kong

Registered Office
Level 34, Central Plaza 1
345 Queen Street
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Facsimile 61-7-3221 2188
Email: info@chongherr.com.au
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Solicitors
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2nd Floor
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Brisbane QLD 4001

Bankers
Commonwealth Bank of Australia
HSBC Bank of Australia

Share Register
Link Market Services Ltd
Level 12, 300 Queen Street
Brisbane QLD 4000
Telephone 61-7- 3320 2232
Facsimile 61-7- 3228 4999

Auditors
KPMG
Riparian Plaza
71 Eagle Street
Brisbane QLD 4000

ChongHerr Investments Ltd

ABN: 52 054 161 821

Annual Report

for the Year Ended 31 December 2008

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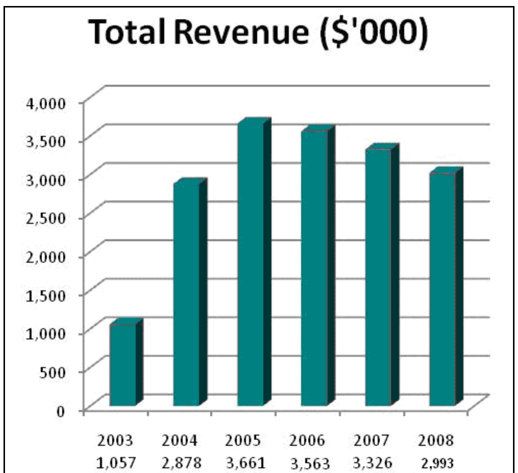
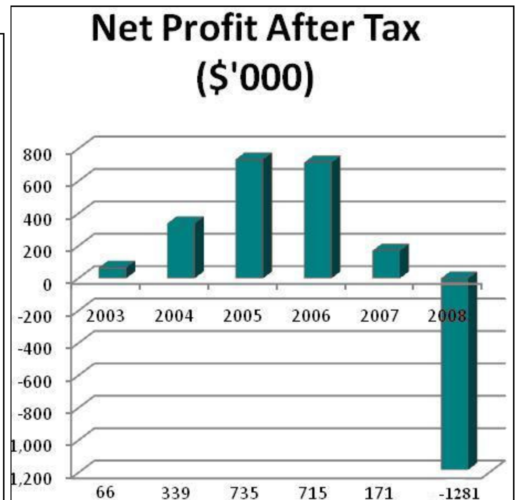
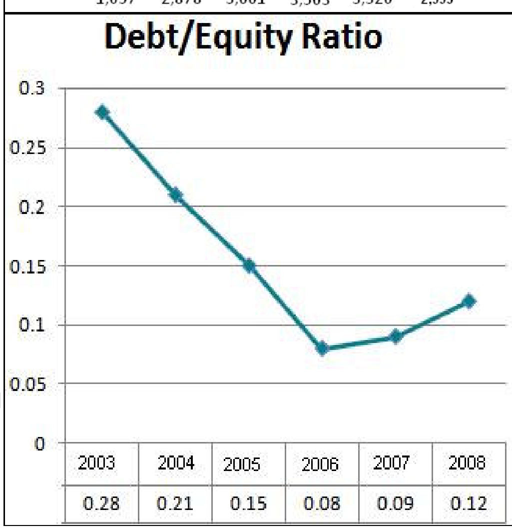
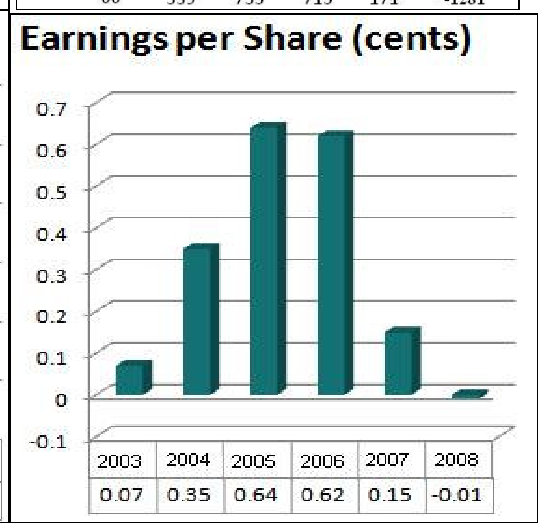
2008 Operating and Financial Highlights

	2008	2007	2006
Total Revenue ($'000)	2,993	3,326	3,563
Operating profit before tax ($'000)	(1,281)	171	715
Net Cash flow ($'000)	(129)	(101)	(36)
Borrowings ($'000)	598	524	487
Total Shareholders' funds ($'000)	4,763	6,045	5,873
Debt/Equity Ratio %	12	9	8
Earning per share (cents)	(0.011)	0.149	0.624









Chairman's Review

It is my pleasure to present to you the Annual Report for the year to 31 December 2008.

2008 was a difficult year for the Company. The business strategy of selling sandstone product to a major customer in China was maintained, but the company's liquidity position remained very tight. Furthermore, the Directors took the decision to seek the sale of one of the company's quarries, which resulted in a significant write-down against book value to an estimated recoverable value, reflecting current economic conditions.

The Company recorded sales revenue of $2.4 million in 2008, which was a reduction from 2007. The net result before impairment losses was $365,887, however impairment losses of $1,647,451 resulted in a net loss for ChongHerr of $1,281,564. Profit and cashflow in the year were lower than 2007 due to market pressure on selling prices, slow collections from customers and inflationary pressures on production costs.

In 2008, we also were focused on converting resources into reserves for the new extension of Montgomery Quarry, ML50213. A significant proportion of our effort was applied to the development and sample drilling in that area. The result has shown significant potential in increasing the overall grade of the resource. The consistent execution of our overseas marketing strategy has positioned the Company to take advantage of current strong market conditions in China.

The directors are carefully monitoring ChongHerr's financial performance and position The Group is economically dependent on its major customer in China. The Directors are working closely with that customer.

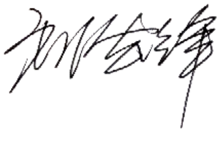
The year of 2009 will be another significant year for the Company. We shall continue to focus on increasing production and sales. However, in the current world economic and financial circumstances, trading conditions are expected to be difficult to the Group's operations and finances will need to be carefully managed.

I would like to extend my thanks to those shareholders who have continued to give their support to the Company throughout this year.

To our staff members, I am grateful for their continual commitment and allegiance.

I look forward with confidence to reporting future events to you all.

Best Regards,
Mr De Hui Liu



Chairman
ChongHerr Investments Ltd
27 February 2009
Brisbane, Australia

Quarry and Production

Quarry Production

The Company holds three mining leases and one Exploration Permit in Helidon, Queensland. Dimensional sandstone quarrying has been mainly carried out in Montgomery Quarry (ML50016) and sample drilling has been conducted in ML 50213.

The Company will continue to evaluate numerous development opportunities and to achieve product diversification.

Quarry Operations

Cost control and efficiency improvement has remained a top priority in the quarry management.In addition, ChongHerr is committed to providing a safe working environment for all its employees and achieved excellent resuts. We understand that to continue to build and operate in the mining industry and thus create wealth for our shareholders we must be valued by the communities.

Market and Business Outlook

<u>Overseas Market</u>

Central to the world's economic growth is the development of the new economies – China in particular. Asia is becoming increasingly dominant, today accounting for nearly 30% of global Gross Domestic Product (GDP).

During the year 2008, the Company has continued to place high priority in the overseas market. The Company has put more resources into marketing to offset the impacts of strong competition from sandstone exporters in other Helidon quarries. As a result, ChongHerr was able to secure the contracts for several key construction projects in China. The contracts on hand for 2009 total $2.45M, and the demand continues to grow.

The Board anticipates that the market outlook for sandstone products remains strong in China, particularly the large residential and commercial projects.

Your directors submit their report for the year ended 31 December 2008.

1. DIRECTORS

The names and details of the directors of the company in office during the financial year, and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

Names and qualifications

Mr De Hui Liu (Chairman) (Managing Director)	Mr Liu is currently the Chairman and Managing Director of ChongHerr Investments Ltd. He has over 24 years experience in corporate management with particular strengths in investment, company restructure, international trades and property development. Mr Liu was appointed to the Board in October 1999.
Mr Zhen Lu	Mr Lu has worked for many years in the building materials & construction industry in China. He brings to the Board over 26 years experience in civil engineering. Mr Lu was appointed to the Board in August 2002.
Ms Sophia Xiaoqing Kong	Ms Kong holds a Master's Degree in Architecture Design and a Bachelor's Degree in Urban Planning. She was appointed a director in June 2003, bringing to the Board over 15 years professional and business management experience. Ms Kong was appointed Company Secretary in June 2003.

Interest in the shares of the company

At the date of this report, the equity interests of directors (where that interest is held directly, indirectly or beneficially) are as follows:

Director and their related entities	Balance 1/1/08	Movement	Balance 31/12/08
Green Mountain Holdings Pty Ltd (i)	56,584,357	-	56,584,357
Mr De Hui Liu (ii)	16,418,057	-	16,418,057
Mr Zhen Lu	-	-	-
Ms Sophia Xiaoqing Kong	-	-	-

(i) Mr Liu is a shareholder in Green Mountain Holdings, holding a 76.1% interest in that company.

Green Mountain Holdings is the Australian controlling company of ChongHerr Investments Limited.

(ii) This interest is held via The Liu and Zhuang Family Trust, of which Mr Liu is a trustee.

2. (a) CORPORATE STRUCTURE

ChongHerr Investments Ltd is a company limited by shares that is incorporated and domiciled in Australia. ChongHerr Investments Ltd has prepared a consolidated financial report incorporating Australian Sandstones Industries Pty Ltd, which it controlled during the year.

Corporate Governance

The Corporate Governance Statement for ChongHerr Investments Ltd is available on the company's website, and accompanies this report.

(b) PRINCIPAL ACTIVITIES

The principal activities during the year of the consolidated entity were the quarrying of sandstone and the sale of sandstone blocks, primarily by export to overseas customers.

There were no significant changes in the nature of these activities during the year.

3. RESULTS AND DIVIDENDS

The result after income tax of the consolidated entity for the year ended 31 December 2008 was a loss of $1,281,564 (2007 – Profit $171,187). This result includes impairment losses of $1,647,451.

The directors are not recommending the payment of any dividends for the year.

Sales, totaling $2,457,882 in the year, are down 18% from previous years due to market pressure on selling prices and demand.

Trading conditions have been difficult in the current year. The result before impairment losses was a profit of $365,887. However following a decision to seek a sale of one of the company's quarries, a significant write-down against book value to estimated recoverable value – reflecting current economic conditions – was incurred.

The Group's liquidity remains tight. The major customer has a significant trade debt due to the company which is past due, and a provision for impairment has been raised. Directors are closely monitoring this situation.

The outstanding receivable balance has resulted in a low level of liquidity in the Group. The financial report has been prepared on a going concern basis that contemplates the continuity of normal operating activities and the realisation of assets and settlement of liabilities in the normal course of business (see note 2 in the financial statements).

As discussed in note 25 in the financial statements, the Group is economically dependent upon the major customer, Shenzhen Helidon Sandstone Ltd which is a company domiciled in China.

The Group's ability to continue trading as a going concern is dependent upon the collection of the amounts owing to the Group by Shenzhen Helidon Sandstone Ltd within a timeframe that provides working capital for the Company. The Directors acknowledge the importance of this customer to the Group and that the customer has historically settled its obligations to the Group. The Directors have in place various repayment schedules with the debtor which would result in payments totaling $2.07 million during 12 months to December 2009. As set out in section 6 below, payments of $97,291 have been received since balance date. Based on the Group's cash flow projections for the year ending 31 December 2009, the agreed repayment arrangement would allow the Group to operate within its existing bank overdraft facility.

4. REVIEW OF OPERATIONS

SANDSTONE QUARRYING & PRODUCTION

A focus on quarrying and production operational improvements continued in 2008. Currently 4 pits are operated in one of the Company's quarries.

EXPORT OF SANDSTONE BLOCKS

Export sales in the year totalled $2,110,670 as compared to last year $2,837,685. The Company continues to develop its sales and marketing in the Chinese marketplace, primarily in commercial and residential construction. Shipment volumes decreased 9% over 2007, however, the demand for sandstone products remains strong.

The Company operates a total of 5 sales and display offices in Guangdong Province of China including a sales and display facility which enables the clients to view blocks in raw forms in Yunfu City, one of China's busiest towns for stone trade.

The Company now has a significant portfolio of finished developments within China, including museums, libraries, government buildings, residential and commercial estates, hotels and resorts, all of which are highlighted by their extensive use of Helidon sandstone.

China remains as the focus of the company's sales opportunities in years to come. The company continues to explore sales opportunities in Australia and other overseas markets.

QUARRY TENURE

The company holds sandstone mining leases at Helidon, Queensland, an area famous for fresh water sandstone. The company also holds the ownership of the background tenures of the two quarries. Details of the quarrying interests are:

Mining lease	Quarry	Area (hectares)
ML 50013 (expires in 2012)	Zacks	129
ML 50016 (expires in 2017)	Montgomery	40
ML 50213 (expires in 2019)	Montgomery	36
Exploration permit EPM 11005 (renewable annually)	Montgomery and surrounding areas	230

FINANCIAL POSITION

The audited financial statements of the consolidated entity accompany this directors' report.

The financial statements show a loss for the year of $1,281,564 and total assets of $6,008,993. The result in the year reduced the consolidated entity's net assets to $4,763,078.

Sales, totalling $2,457,882 in the year, are down 18% from the previous year. In the current year, $2,110,670 of sales were generated from China.

Results and cashflow in the year were lower than 2007. In addition, the major customer has a significant trade debt due to the Company which is under repayment plan. The Group is economically dependent on this customer.

The directors are carefully monitoring ChongHerr's financial performance and position (see also the comments in section 3 above).

5. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than for the matters discussed in section 3 above, there were no significant changes in the state of affairs of the company or the consolidated entity in the year.

6. SIGNIFICANT EVENTS AFTER BALANCE DATE

Since balance date the Group has continued to pursue the matters detailed in section 3 above regarding going concern and the collection of amounts owing to the Group. As the date of signing this report, a further $97,291 of repayments has been collected from the major debtor.

The Group has also continued with initiatives towards a sale of one of the quarries (see section 3 above), and at the date of issue of this report negotiations are continuing with the interested party.

No other matters or circumstances have arisen since the end of the financial year that significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

7. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The directors are carefully monitoring ChongHerr's financial performance and position (see also the comments in section 3 above). Additionally, in the coming year the company will maintain its focus on sales opportunities in China, and production/quarrying efficiencies. Demand for sandstone is expected to remain strong, although current world economic conditions make forecasts very difficult.

The company will also continue to conduct its business so that profitability can be enhanced and the balance sheet strengthened. Further information about likely developments in the operations of the group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the group.

8. ENVIRONMENTAL RESPONSIBILITIES

The company's quarries are operated under environmental provisions contained in mining leases granted by the Queensland Government. There have been no significant known breaches of these provisions. The company is required at the cessation of the mining leases to rehabilitate the sites back to a land form with vegetation similar to what was present prior to disturbance.

9. REMUNERATION REPORT - DIRECTORS' & KEY MANAGEMENT PERSONNEL

Remuneration Policy - audited

ChongHerr utilises the following guidelines to encourage directors and key management personnel to pursue company objectives, and ensure their interests and those of the shareholders are closely aligned:

- Remuneration packages should be set in the context of what is reasonable and fair taking into account the company's legal obligations, labour market conditions, the scale of the business and competitive forces, and employee performance;
- In accordance with the company's Constitution, the amount of fees payable to directors is limited to that amount approved by shareholders (currently no set amount has been approved for directors' fees over and above their remuneration as executives); and,
- Any equity based remuneration requires shareholder approval.

Due to the size of the company and composition of the Board, ChongHerr does not have a remuneration committee. The Board sets the remuneration of individual directors including the Managing Director. The Board recognises that it is not in conformity with ASX Best Practice Principles requiring that a separate sub-committee of the Board undertakes the responsibilities of remuneration. Given the size, history and activities of ChongHerr, the directors believe it is more efficient for the entire Board to deal with remuneration matters.

The Board assesses the appropriateness of the nature and amount of remuneration on a periodic basis. In setting remuneration, directors and key management personnel are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group. The Group does not provide any equity based remuneration, nor does it presently specifically link director and key management personnel remuneration to company performance conditions, other than its overall financial postion.

During the year, the Board accepted the Managing Director's offer to suspend his remuneration pending on improvement in the financial performance of Chongherr. The Board is very appreciative of Mr Liu's offer.

Remuneration of Directors and Key Management Personnel - audited

	Primary			**Post Employment**		**Other**	**Total**
	Salary & Fees	Cash Bonus	Non Monetary benefits	Superan-nuation	Other		
	$	$	$	$	$	$	$
31 December 2008							
Mr De Hui Liu	32,500	-	-	3,150	-	-	35,650
Mr Zhen Lu	-	-	-		-	-	
Ms Sophia Xiaoqing Kong	12,703	-	-	1,143	-	-	13,846
Total	45,203	-	-	4,293	-	-	49,496
31 December 2007							
Mr De Hui Liu	56,884	-	-	33,923	-	-	90,807
Mr Zhen Lu	-	-	-	-	-	-	-
Ms Sophia Xiaoqing Kong	28,740	-	-	2,587	-	-	31,327
Mr Hon Tak Tsoi (i)	25,829	-	-	2,325	-	-	28,154
Total	111,453	-	-	38,835	-	-	150,288

(i) Mr Tsoi was appointed to the board in November 2005 and employed by the company as Marketing Director from May 2006. He resigned as a director on 19 June 2007.

The employment agreement in place for Mr Liu provides for remuneration to be set annually in accordance with company policy, has no fixed term and can be terminated by either party with 4 weeks' notice (except in the case of serious misconduct where the company can terminate without notice). Since mid 2008, Mr Liu has voluntarily not taken any remuneration.

Company performance, shareholder wealth and remuneration

As set out in the remuneration policy, the company sets director and key management personnel renumeration based on various factors, including financial perforamance of the Group. The table below sets out recent history of financial performance and remuneration.

	2005	2006	2007	2008
	$	$	$	$
Sales Revenue	3,357,731	3,369,233	2,992,680	2,457,882
Net result	734,533	714,697	171,187	(1,281,564)
Share Price at year end	0.03	0.06	0.03	0.01
Dividends	-	-	-	-
Total KMP Renumneration	110,192	143,460	150,288	49,496

10. DIRECTORS' MEETINGS

During the year, 5 directors' meetings were held. The number of meetings at which directors were in attendance is as follows:

Directors' Meetings

	No. of Meetings held while in office	Meetings attended
Mr De Hui Liu	5	5
Mr. Zhen Lu	5	5
Ms Sophia Xiaoqing Kong	5	5

11. SHARE OPTIONS

There are no options outstanding at the date of this report.

12. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND AUDITOR

No indemnities have been given, or insurance premiums paid, during or since the end of the financial year for any person who is or has been an officer or auditor of the consolidated entity.

13. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of the Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

14. NON-AUDIT SERVICES

The auditors did not provide any non-audit services to the consolidated entity during the year.

As the auditor, KPMG, did not provide any non-audit services during the year, the directors are satisfied that there was no compromise of the auditor's independence requirements of the Corporations Act 2001.

15. AUDITOR INDEPENDENCE

The lead auditor's independence declaration is set out on the page following this directors' report and forms part of the directors' report for the year ended 31 December 2008.

Signed in accordance with a resolution of the Board of Directors.

Mr De Hui Liu
Managing Director
ChongHerr Investments Ltd
27 February 2009
Brisbane, Australia

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of ChongHerr Investments Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2008 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

M L Gray
Partner

Brisbane
27 February 2009

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

	NOTES	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	PARENT 2008 $	PARENT 2007 $
Continuing operations					
Revenue					
Sale of goods	3	2,457,882	2,992,680	2,457,882	2,992,680
Cost of sales		(1,213,561)	(1,362,000)	(1,213,561)	(1,362,000)
Gross profit		1,244,321	1,630,680	1,244,321	1,630,680
Other income	4	534,907	333,248	534,907	333,248
Selling and distribution expenses		(842,877)	(868,700)	(842,877)	(868,700)
Corporate and administration expenses		(502,524)	(663,869)	(502,524)	(663,869)
Impairment losses	4	(1,647,451)	(200,623)	(1,647,451)	(200,623)
Finance costs	4	(67,940)	(59,549)	(67,940)	(59,549)
Profit/(loss) before tax		(1,281,564)	171,187	(1,281,564)	171,187
Income tax expense	5	-	-	-	-
Profit/(loss) after tax		(1,281,564)	171,187	(1,281,564)	171,187
Profit/loss for the period attributable to equity holders of the company		(1,281,564)	171,187	(1,281,564)	171,187
Earnings per share (cents per share)	6				
– basic for profit for the year		(0.011)	0.149	(0.011)	0.149
– diluted for profit for the year		(0.011)	0.149	(0.011)	0.149
Dividends per share (cents per share)	7	-	-	-	-

The accompanying notes form an integral part of this financial statement.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

	CONSOLIDATED & PARENT ENTITY		
	Issued Capital $	Accumulated Losses $	Total Equity $
At 1 January 2007	18,218,667	(12,345,212)	5,873,455
Profit for the year	-	171,187	171,187
At 31 December 2007	18,218,667	(12,174,025)	6,044,642
Loss for the year	-	(1,281,564)	(1,281,564)
At 31 December 2008	18,218,667	(13,455,589)	4,763,078

The accompanying notes form an integral part of this financial statement.

BALANCE SHEETS AS AT 31 DECEMBER 2008

	NOTES	CONSOLIDATED		PARENT	
		2008	2007	2008	2007
		$	$	$	$
ASSETS					
Current Assets					
Cash and cash equivalents	8	398	3,886	398	3,886
Trade and other receivables	9	2,519,566	1,943,470	2,519,566	1,943,470
Inventories	10	419,812	473,798	419,812	473,798
Prepayments		25,187	30,014	25,187	30,014
Assets classified as held for sale	26	1,100,000	-	1,100,000	-
Total Current Assets		4,064,963	2,451,168	4,064,963	2,451,168
Non-current Assets					
Trade and other receivables	9	-	-	141,032	141,032
Other financial assets	11	128,471	129,548	128,481	129,558
Property, plant and equipment	12	752,572	883,809	611,530	742,767
Quarry and reserves	13	1,062,987	3,803,591	1,062,987	3,803,591
Total Non-current Assets		1,944,030	4,816,948	1,944,030	4,816,948
TOTAL ASSETS		6,008,993	7,268,116	6,008,993	7,268,116
LIABILITIES					
Current Liabilities					
Trade and other payables	14	465,209	509,006	465,209	509,006
Interest-bearing loans and borrowings	15	351,825	185,207	351,825	185,207
Provisions	16	19,394	19,912	19,394	19,912
Deferred government grants		17,845	17,845	17,845	17,845
Total Current Liabilities		854,273	731,970	854,273	731,970
Non-current Liabilities					
Interest-bearing loans and borrowings	15	246,078	338,965	246,078	338,965
Provisions	16	136,642	125,770	136,642	125,770
Deferred government grants		8,922	26,769	8,922	26,769
Total Non-current Liabilities		391,642	491,504	391,642	491,504
TOTAL LIABILITIES		1,245,915	1,223,474	1,245,915	1,223,474
NET ASSETS		4,763,078	6,044,642	4,763,078	6,044,642
EQUITY					
Issued capital	17	18,218,667	18,218,667	18,218,667	18,218,667
Accumulated losses		(13,455,589)	(12,174,025)	(13,455,589)	(12,174,025)
TOTAL EQUITY		4,763,078	6,044,642	4,763,078	6,044,642

The accompanying notes form an integral part of this financial statement.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2008

	NOTES	CONSOLIDATED		PARENT	
		2008	2007	2008	2007
		$	$	$	$
Cash flows from operating activities					
Receipts from customers		2,398,511	2,284,645	2,398,511	2,284,645
Payments to suppliers and employees		(2,345,655)	(2,443,173)	(2,345,655)	(2,443,173)
Finance costs		(67,940)	(59,549)	(67,940)	(59,549)
Government grants & other income		16,846	249,219	16,846	249,219
Net cash flows from operating activities	8	1,762	31,142	1,762	31,142
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		-	25,455	-	25,455
Purchase of property, plant and equipment		(10,000)	(35,332)	(10,000)	(35,332)
Payments relating to quarry and reserves, and mining deposits		(10,058)	(20,203)	(10,058)	(20,203)
Purchase of other financial assets		1,077	(1,621)	1,077	(1,621)
Net cash flows used in investing activities		(18,981)	(31,701)	(18,981)	(31,701)
Cash flows from financing activities					
Payment of finance lease liabilities		(124,005)	(107,941)	(124,005)	(107,941)
Net movement of related party loans		11,872	7,069	11,872	7,069
Net cash flows from/(used in) financing activities		(112,133)	(100,872)	(112,133)	(100,872)
Net increase/(decrease) in cash and cash equivalents		(129,352)	(101,431)	(129,352)	(101,431)
Cash and cash equivalents at beginning of period		(54,741)	46,690	(54,741)	46,690
Cash and cash equivalents at end of period	8	(184,093)	(54,741)	(184,093)	(54,741)

The accompanying notes form an integral part of this financial statement

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

1. CORPORATE INFORMATION

The financial report of ChongHerr Investments Ltd for the year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 27 February 2009. The financial report covers the consolidated entity of ChongHerr Investments Ltd and its controlled entities, and ChongHerr Investments Ltd as the parent entity.

ChongHerr Investments Ltd is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial reports of the Group and the Company also comply with the IFRSs and interpretations adopted by the International Accounting Standards Board.

b) Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis. The financial report is presented in Australian Dollars, which is the Group's and the Company's functional currency.

Going Concern

The financial report has been prepared on a going concern basis that contemplates the continuity of normal operating activities and the realisation of assets and settlement of liabilities in the normal course of business.

At 31 December 2008, the Group's balance sheet shows total assets of $6,008,993, total liabilities of $1,245,915, and net assets of $4,763,078. Current assets total $4,064,963 and include cash assets of $398, receivables of $2,519,566 and assets held for sale of $1,100,000. Current liabilities total $854,273.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As discussed in note 25, the Group is economically dependent upon one major customer, Shenzhen Helidon Sandstone Ltd which is a company domiciled in China. The balance of trade receivables as at 31 December 2008 includes $2,191,006 relating to this customer, of which $1,902,292 is past due normal trading terms and subject to various repayment plans. An impairment loss of $12,666 has been raised against this debtor.

The Group's ability to continue trading as a going concern is dependent upon the collection of the amounts owing to the Group by Shenzhen Helidon Sandstone Ltd within a timeframe that provides working capital for the Company. The Directors acknowledge the importance of this customer to the Group and that the customer has historically settled its obligations to the Group. The Directors have agreed various repayment schedules with the debtor which would result in clearance of the entire balance due of $2,191,006 by January 2010. As set out in note 22, payments of $97,291 have been received since balance date. Based on the Group's cash flow projections for the year ending 31 December 2009, the agreed repayment arrangements would allow the Group to operate within its existing bank overdraft facility.

On the basis of the above, the Directors have formed the view that it is appropriate to prepare the financial report on a going concern basis.

Accounting Standards and Interpretations

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 December 2008, but have not been applied in preparing this financial report:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	Summary	Impact on Group Financial Report
Revised AASB Business Combinations (2008)	Incorporates the following changes that are likely relevant to the Group's operations - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss -Transaction costs, other than share and debt issue costs, will be expensed as incurred - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction by transaction basis.	Revised AASB 3, which becomes mandatory for the Group's 31 December 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 financial statements.
Revised AASB 127 Consolidated and Separate Financial Statements (2008)	Requires accounting for changes in ownerships interest by the Group in a subsidiary, while maintaining control to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss.	The amendments to AASB 127, which become mandatory for the Group's 31 December 2010 financial statements are not expected to have a significant impact on the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	Summary	Impact on Group Financial Report
AASB 8 Operating Segments	Introduces the "management approach" to segment reporting.	AASB 8, which becomes mandatory for the Group's 31 December 2009 financial statements, will require a change in the presentation on and the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its geographical and business segments (see note 3). Under the management approach, the Group will continue to present segment information in respect of geographical segments.
Revised AASB 101 Presentation of Financial Statements (2007)	Introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income.	Revised AASB 101, which becomes mandatory for the Group's 31 December 2010 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	Summary	Impact on Group Financial Report
Revised AASB 123 Borrowing Costs	Removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.	The revised AASB 123 will become mandatory for the Group's 31 December 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. Therefore there will be no impact on prior periods in the Group's 31 December 2010 financial statements.
AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payment: Vesting Conditions and Cancellations	Clarifies definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations.	The amendments to AASB 2 will be mandatory for the Group's 31 December 2009 financial statements, with retrospective applications. The standard is not expected to have an effect on the Group's financial statements.
AASB 2008-2 Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	Provides transitional relief for financial instruments puttable only on liquidation that had both debt and equity components prior to the adoption of the amendment.	AASB 2008-1 becomes mandatory for the Group's 31 December 2010 financial statements. The standard is not expected to have an effect on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	Summary	Impact on Group Financial Report
AASB 2008-5 Amendments to Accounting Standards arising from the Annual Improvements Process and 2008-6 Further Amendments to Australian Accounting Standards arising from The Annual Improvements Process	Affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes.	The amended standards, which become mandatory for the Group's 31 December 2010 financial statements, are not expected to have any impact on the financial statements.
AASB 2008-7 *Amendments to Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	Changes the recognition and measurement dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements.	The amendment becomes mandatory for the Group's 31 December 2010 financial statements. The standard is not expected to have an effect on the Group's financial statements.
AASB 2008-8 Amendments to Australian Accounting Standard – Eligible Hedged Items	Clarifies the effect of using options as hedging instruments and the circumstances in which inflation risk can be hedged.	The amendments become mandatory for the Group's 31 December 2010 financial statements. The standard is not expected to have an effect on the Group's financial statements.
AI 13 *Customer Loyalty Programmes*	Addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services.	AI 13, which becomes mandatory for the Group's 31 December 2009 financial statements. The interpretation is not expected to have an effect on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	Summary	Impact on Group Financial Report
AI 15 *Agreements for the Construction of Real Estate*	Provides guidance on the accounting for agreements for the construction of real estate by the seller under AASB 111 *Construction Contracts* or AASB 118 *Revenue* and the timing of revenue recognition.	AI 15 will become mandatory for the Group's 31 December 2009 financial statements, with retrospective application required. The interpretation is not expected to have an effect on the Group's financial statements.
AI 16 *Hedges of a Net Investment in a Foreign Operation*	Clarifies that net investment hedging can only be applied when the net assets of a foreign operation are recognised in the entity's consolidated financial statements.	AI 16 will become mandatory for the Group's 31 December 2009 financial statements. The interpretation is not expected to have an effect on the Group's financial statements.
AI 17 *Distribution of non-current assets to owners* (December 2008)	Clarifies that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity, an entity should measure the dividend payable at the fair value of the net assets to be distributed, and an entity should measure the dividend payable at the fair value of the net assets to be distributed, and an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. AI 17 also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of discontinued operations.	AI 17 will become mandatory for compliance for the Company's 31 December 2010 financial statements. The interpretation is not expected to have an effect on the Group's financial statements.

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of ChongHerr Investments Ltd and its subsidiaries as at 31 December each year ('the Group'). The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. In assessing control, potential voting rights that presently are exercisable are taken into account.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which ChongHerr Investments Ltd has control.

In the company's financial statements, investments in subsidiaries are carried at cost.

d) Foreign currency translation

Both the functional and presentation currency of ChongHerr Investments Ltd and its subsidiaries is Australian dollars (A$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

e) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The costs of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit and loss as incurred.

Depreciation is calculated on a reducing balance basis over the estimated useful life of each asset ranging from 3-40 years (2007: 3-40 years).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

f) Finance costs

Finance costs are recognised as an expense when incurred and comprise interest expense on borrowings, unwinding of the discount on provisions and foreign currency losses. All borrowing costs are recognised in profit and loss using the effective interest method.

g) Quarry and reserves

Quarry and reserves represents expenditure on the acquisition, evaluation and development of mining leases and exploration permits. These costs are only carried forward to the extent that they are expected to be recouped through successful development or where activities have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. The cost of property, plant and equipment in relation to the quarry is recorded separately in the balance sheet.

When production commences, the accumulated costs are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review of recoverable amount is undertaken to determine the appropriateness of continuing to carry forward costs.

Costs of restoration are provided over the life of the quarry from when the obligation becomes probable (usually from when evaluation commences) and are charged against profit. Restoration costs include the dismantling and removal of plant, equipment and building structures, waste removal, and rehabilitation in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis. Any changes in the estimates of the costs are accounted for on a prospective basis. In determining the costs of restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and legislation.

h) Impairment

At each reporting date, the Group assesses whether there is any indication that an asset, other than inventories, may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

i) Inventories

Inventories, being finished goods and work-in-progress, are valued at the lower of cost and net realisable value.

Costs incurred in bringing inventories to their present location and condition are accounted for as costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

j) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses.

k) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statements of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above and bank overdraft.

l) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

calculated by taking into account any issue costs, and any discount or premium on settlement.

m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee benefits

In respect of employee benefits, liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation. Non-accumulating non-monetary benefits are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

The liability for long service leave is recognised in the provision for employee benefits and measured at the present value of the expected future payments to be made in respect of services provided by employees up to the reporting date. The discount rate is the yield at the reporting date on Commonwealth Government bonds that have maturity dates approximating the terms of the obligations. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Contributions are made by the company to defined contribution employee superannuation funds and are charged as expenses when incurred.

n) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

o) Trade & other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

p) Revenue

Revenue is recognised at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer. Any consideration deferred is treated as the provision of finance and is discounted at the rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Rental income

Rental income is accounted for on a straight-line basis. Contingent rental income is recognised as income in the periods in which it is earned.

Interest income

Finance income includes interest income calculated on financial assets recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

r) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax amounts are recognised for all taxable and/or deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

The Group has substantial carry forward tax losses. The deferred tax benefit arising from these losses has not been brought to account as it is not yet probable that the Group will derive future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for the losses to be realised.

s) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

t) Accounting estimates and judgments

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Quarry and reserves (refer note 2(g))

The cost of quarry and reserves is carried forward on the balance sheet to the extent that it is expected that it can be recouped through successful development of the economically recoverable reserves, or through sale of the quarry.

Amortisation is based on the rate of depletion of reserves as compared to the estimate of the total economically recoverable reserves.

The carrying value of quarry and reserves is assessed for recoverability by reference to value in use or by reference to fair value. Cashflow forecasts to assess value in use apply estimates of sales volumes and prices, production costs including capital items, and a discount rate based on cost of funds and risk.

As set out in note 13, one of the Group's quarries has been written down to the estimated fair value on the basis of likely sales value.

The provision for restoration is based on estimates of future costs, and requirements as set out in the Group's mining leases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax (refer note 2(r))

The Group has substantial carry forward losses which are applied as an offset to assessable income. This future income tax benefit will only be obtained if:

- future assessable income is derived of a nature and an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Refer also to note 20.

Trade Receivables Fair Value (refer note 2 (j))

As discussed in note 18, the Group's export sales are made on 90 day credit terms, albeit that payment history indicates that the collection period associated with export sales ranges from 265 days to over 400 days . This extension in the payment period has increased significantly in the 2008 financial year and the Group has recognised the revenue and trade receivable associated with export sales at fair value, based on management's estimate of the collection period (265 - 340 days) and a discount rate associated with a receivable of this nature of 25.5%.

Going Concern (refer note 2(b))

As set out above, the financial report has been prepared on a going concern basis, including the continuing economic relationship with the Group's major customer and full recovery of the trade receivable balance due.

3. SEGMENT INFORMATION

The Group operates solely within the sandstone quarrying industry in Queensland. A significant amount of product is exported to south-east Asia. The Group's primary reporting format is geographical segments and its secondary format is business segments.

There are no material intra-segment transfers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

3. SEGMENT INFORMATION (continued)

Geographical segments

The following tables present revenue and profit information and certain asset and liability information regarding geographical segments for the years ended 31 December 2008 and 2007, for the Group:

	South-east Asia	Australia & Other	Total
	$	$	$
Year ended 31 December 2008			
Revenue			
Sales to external customers	2,110,670	347,212	2,457,882
Other revenues from external customers	-	-	-
Total segment revenue	2,110,670	347,212	2,457,882
Total consolidated revenue			2,457,882
Interest income on trade receivables	500,214	-	500,214
Result			
Segment result	668,164	(1,412,563)	(744,399)
Unallocated expenses			(469,225)
Loss before tax and finance costs			(1,213,624)
Finance costs			(67,940)
Loss before income tax			(1,281,564)
Income tax expense			-
Net loss for the year			(1,281,564)
Assets and liabilities			
Segment assets	2,480,040	3,528,953	6,008,993
Unallocated assets			-
Total assets			6,008,993
Segment liabilities	-	1,245,915	1,245,915
Total liabilities			1,245,915
Other segment information			
Capital expenditure	-	70,000	70,000
Depreciation	3,724	197,514	201,238
Amortisation	-	15,877	15,877
Impairment losses	-	1,634,785	1,634,785
Quarry restoration provision	-	5,872	5,872
Impairment losses on receivables	12,666	-	12,666

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

3. SEGMENT INFORMATION (continued)

	South-east Asia	Australia & Other	Total
	$	$	$
Year ended 31 December 2007			
Revenue			
Sales to external customers	2,837,685	154,995	2,992,680
Other revenues from external customers	-	-	-
Total segment revenue	2,837,685	154,995	2,992,680
Total consolidated revenue			2,992,680
Interest income on trade receivables	171,935	-	171,935
Result			
Segment result	1,047,719	81,834	1,129,553
Unallocated expenses			(898,817)
Profit before tax and finance costs			230,736
Finance costs			(59,549)
Profit before income tax			171,187
Income tax expense			-
Net profit for the year			171,187
Assets and liabilities			
Segment assets	1,903,769	5,364,347	7,268,116
Unallocated assets			-
Total assets			7,268,116
Segment liabilities	-	1,223,474	1,223,474
Total liabilities			1,223,474
Other segment information			
Capital expenditure	-	134,505	134,505
Depreciation	7,780	240,250	248,030
Amortisation	-	36,678	36,678
Impairment losses – equipment	-	50,623	50,623
Quarry restoration provision	-	-	-
Impairment losses on receivables	150,000	-	150,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

4. REVENUES AND EXPENSES

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
(a) Other income				
Government grants	17,847	152,386	17,847	152,386
Gain/(loss) on disposal of property, plant and equipment	-	(19,657)	-	(19,657)
Finance income:				
Interest income on trade receivables at amortised cost	500,214	171,935	500,214	171,935
Other interest income	6,321	24	6,321	24
Other income	10,525	28,560	10,525	28,560
	534,907	333,248	534,907	333,248

Various government grants have been received for construction of quarrying facilities.There are no unfulfilled conditions or contingencies attaching to these grants.

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
(b) Various expenses included in income statement				
Impairment losses – plant and equipment	-	50,623	-	50,623
Impairment losses - trade receivables	12,666	150,000	12,666	150,000
Impairment losses – quarry and reserves	1,634,785	-	1,634,785	-
	1,647,451	200,623	1,647,451	200,623
Depreciation of plant and equipment	201,237	248,030	201,237	248,030
Amortisation of quarry and resources	15,877	36,678	15,877	36,678
Quarry restoration provision	5,872	-	5,872	-
Net foreign exchange losses/(gains)	-	332	-	332
Minimum lease payments - operating lease	191,173	155,886	191,173	155,886
(c) Finance costs				
Interest expense on financial liabilities at amortised cost:				
Borrowings from related parties	9,320	7,705	9,320	7,705
Other borrowings	31,910	17,193	31,910	17,193
Finance charges payable under finance leases and hire purchase contracts	26,710	34,651	26,710	34,651
Total finance costs	67,940	59,549	67,940	59,549
(d) Employee benefits expense				
Wages and salaries	649,355	675,612	649,355	675,612
Workers' compensation costs	6,722	6,891	6,722	6,891
Superannuation costs	42,523	69,825	42,523	69,825
	698,600	752,328	698,600	752,328

4. REVENUES AND EXPENSES (continued)

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
(e) Significant revenue and expense				
The following significant revenue and expense items are relevant in explaining the financial performance:				
Interest income on trade receivables (i)	500,214	171,935	500,214	171,935
Impairment loss – quarry and reserves (ii)	1,634,785	-	1,634,785	-

(i) As set out in not 2(p), the amount received from sale of goods includes an interest component for the deferred consideration.

(ii) As set out in note 13, an impairment loss has been recognised as one of the Group's quarries.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

5. INCOME TAX

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
A reconciliation of income tax expense applicable to accounting profit/(loss) before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 31 December 2008 and 2007 is as follows:				
Accounting profit/(loss) before tax from continuing operations	(1,281,564)	171,187	(1,281,564)	171,187
At the statutory income tax rate of 30% (2007: 30%)	(384,469)	51,356	(384,469)	51,356
Net amount of non-allowable items	499,159	34,474	499,159	34,474
Net amount of temporary differences	(22,335)	63,576	(22,335)	63,576
Unrecognised tax losses of prior years now utilised	(92,355)	(149,406)	(92,355)	(149,406)
Income tax expense	-	-	-	-

The Group has tax losses arising in Australia of approximately $2,910,000 (2007: $3,160,000) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. The amount of the deferred tax benefit arising from these carry forward losses, and temporary differences, is approximately $873,000 (2007: $1,160,000).

The deferred tax benefit arising from these losses has not been brought to account as it is not yet probable that the Group will derive future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for the losses to be realised. This future income tax benefit will only be obtained if:

(i) future assessable income is derived of a nature and an amount sufficient to enable the benefit to be realised;

(ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and

(iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

As set out in note 20, the Group is subject to a tax audit with one issue being the availability of carry forward losses.

6. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated on the same basis as basic earnings per share as there are no dilutive potential ordinary shares.

The following reflects the income and share data used in the total basic and diluted earnings per share computations:

	CONSOLIDATED	
	2008 $	2007 $
Net profit/(loss) attributable to equity holders from continuing operations	(1,281,564)	171,187
Weighted average number of ordinary shares for basic earnings per share	114,608,952	114,608,952

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

7. DIVIDENDS PAID AND PROPOSED

	CONSOLIDATED		PARENT	
	2008 $	2007 $	2008 $	2007 $
Declared and paid during the year	-	-	-	-
Proposed for approval at AGM (not recognised as a liability as at 31 December)	-	-	-	-
Franking credit balance	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

8. CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
Cash at bank and in hand	398	3,886	398	3,886

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

The Group's exposure to interest rate risk is disclosed in note 19.

Cash at the end of the financial year as shown in the statement of cash flow is reconciled to the related items in the balance sheets as follows:

Cash at bank and in hand	398	3,886	398	3,886
Bank overdraft	(184,491)	(58,627)	(184,491)	(58,627)
	(184,093)	(54,741)	(184,093)	(54,741)

Reconciliation of the net profit/(loss) after tax to the net cash flows from operating activities				
Net profit/(loss) after tax	(1,281,564)	171,187	(1,281,564)	171,187
Adjustments for:				
Depreciation	201,237	248,030	201,237	248,030
Amortisation	15,877	36,678	15,877	36,678
Impairment losses	1,647,451	200,623	1,647,451	200,623
Net (profit)/loss on disposal of property, plant and equipment	-	19,657	-	19,657
Changes in assets and liabilities				
(Increase)/decrease in inventories	53,986	73,900	53,986	73,900
(Increase)/decrease in trade and other receivables	(588,762)	(733,321)	(588,762)	(733,321)
(Increase)/decrease in prepayments	4,827	13,325	4,827	13,325
(Decrease)/increase in trade and other payables	(43,797)	114,048	(43,797)	114,048
(Decrease)/increase in government grants	(17,847)	(103,685)	(17,847)	(103,685)
(Decrease)/increase in provisions	10,354	(9,300)	10,354	(9,300)
Net cash from operating activities	1,762	31,142	1,762	31,142

Non-cash financing and investing activities
During the year the company acquired equipment to the value of $60,000 (2007: $78,970) by way of finance leases. These acquisitions have been excluded from the Statements of Cash Flows.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

9. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
Current				
Trade receivables (a)	2,532,232	2,068,185	2,532,232	2,068,185
Provision for impairment (a)	(12,666)	(150,000)	(12,666)	(150,000)
	2,519,566	1,918,185	2,519,566	1,918,185
Other receivables	-	25,285	-	25,285
	2,519,566	1,943,470	2,519,566	1,943,470
Non-current				
Loan – Subsidiary (b)	-	-	141,032	141,032
	-	-	141,032	141,032

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 19.

(a) Included in trade receivables is an amount of $2,191,006 of which $1,902,292 is past due normal trading terms and subject to various repayment plans. This debt relates to the major customer Shenzhen Helidon Sandstone Ltd. This receivable is measured at amortised cost. Comments on the significance and recoverability of this amount are set out in notes 18 & 19.

As discussed in note 18, the Group's export sales are made on 90 day credit terms, albeit that payment history indicates that the collection period associated with export sales ranges from 265 days to over 400 days. This extension in the payment period has increased significantly in the 2008 financial year and the Group has recognised the revenue and trade receivable associated with export sales at fair value, based on management's estimate of the collection period (265-400 days) and a discount rate associated with a receivable of this nature of 25.5%.

A provision for impairment of $12,666 has been raised in the current year in respect of this debt. The Directors have agreed various repayment schedules with the debtor which would result in clearance of the entire balance due of $2,191,006 by January 2010. Payments of $97,291 have been received since balance date. The provision for impairment has been raised to reflect the extension of credit terms in relation to this debtor and the impact of same on the present value of the associated cashflows.

(b) Loan – Subsidiary is non-interest bearing and repayable on demand.

10 INVENTORIES

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
Work in progress	51,980	53,883	51,980	53,883
Finished goods	367,832	419,915	367,832	419,915
	419,812	473,798	419,812	473,798

11. OTHER FINANCIAL ASSETS (NON-CURRENT)

Investment in subsidiary (note 21)	-	-	10	10
Security deposits	128,471	129,548	128,471	129,548
	128,471	129,548	128,481	129,558

The Group's exposure to credit and interest rate risks related to other investments is disclosed in note 19.

Included in deposits is an amount of $74,823 (2007: $69,439) lodged as security for bank guarantees.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

12. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED			
	Quarry land	Owned Plant & Equipment	Leased Plant & Equipment	Total
	$	$	$	$
Year ended 31 December 2008				
At 1 January 2008, net of accumulated depreciation	141,042	402,578	340,189	883,809
Additions	-	10,000	60,000	70,000
Disposals	-	-	-	-
Impairment loss	-	-	-	-
Depreciation charge for the year	-	(107,521)	(93,716)	(201,237)
Net carrying amount	141,042	305,057	306,473	752,572
At 1 January 2008				
Cost	141,042	1,472,771	767,681	2,381,494
Accumulated depreciation and impairment	-	(1,070,193)	(427,492)	(1,497,685)
Net carrying amount	141,042	402,578	340,189	883,809
At 31 December 2008				
Cost	141,042	1,482,771	827,681	2,451,494
Accumulated depreciation and impairment		(1,177,714)	(521,208)	(1,698,922)
Net carrying amount	141,042	305,057	306,473	752,572

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 December 2008 is $306,473 (2007: $340,189). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

During the prior year the group re-assessed the operation of certain equipment and identified an impairment loss of $50,623. This equipment is specialized in nature and relates to certain aspects of the quarrying operation. At the present time the equipment is under-utilised and this has been identified as a reduction of the value in use, giving rise to the impairment loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	PARENT		
	Owned Plant & Equipment $	Leased Plant & Equipment $	Total $
Year ended 31 December 2008			
At 1 January 2008, net of accumulated depreciation	402,578	340,189	742,767
Additions	10,000	60,000	70,000
Disposals	-	-	-
Impairment loss	-	-	-
Depreciation charge for the year	(107,521)	(93,716)	(201,237)
Net carrying amount	305,057	306,473	611,530
At 1 January 2008			
Cost	1,472,771	767,681	2,240,452
Accumulated depreciation and impairment	(1,070,193)	(427,492)	(1,497,685)
Net carrying amount	402,578	340,189	742,767
At 31 December 2008			
Cost	1,482,771	827,681	2,310,452
Accumulated depreciation and impairment	(1,177,714)	(521,208)	(1,698,922)
Net carrying amount	305,057	306,473	611,530

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 December 2008 is $306,473 (2007: $340,189). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	CONSOLIDATED			
	Quarry land $	Owned Plant & Equipment $	Leased Plant & Equipment $	Total $
Year ended 31 December 2007				
At 1 January 2007, net of accumulated depreciation	141,042	598,801	373,428	1,113,271
Additions	-	35,332	78,970	114,302
Disposals	-	(45,111)	-	(45,111)
Impairment loss	-	(50,623)	-	(50,623)
Depreciation charge for the year	-	(135,821)	(112,209)	(248,030)
Net carrying amount	141,042	402,578	340,189	883,809
At 1 January 2007				
Cost	141,042	1,575,541	688,711	2,405,294
Accumulated depreciation and impairment	-	(976,740)	(315,283)	(1,292,023)
Net carrying amount	141,042	598,801	373,428	1,113,271
At 31 December 2007				
Cost	141,042	1,472,771	767,681	2,381,494
Accumulated depreciation and impairment	-	(1,070,193)	(427,492)	(1,497,685)
Net carrying amount	141,042	402,578	340,189	883,809

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	PARENT		
	Owned Plant & Equipment $	Leased Plant & Equipment $	Total $
Year ended 31 December 2007			
At 1 January 2007, net of accumulated depreciation	598,801	373,428	972,229
Additions	35,332	78,970	114,302
Disposals	(45,111)	-	(45,111)
Impairment loss	(50,623)	-	(50,623)
Depreciation charge for the year	(135,821)	(112,209)	(248,030)
Net carrying amount	402,578	340,189	742,767
At 1 January 2007			
Cost	1,575,541	688,711	2,264,252
Accumulated depreciation and impairment	(976,740)	(315,283)	(1,292,023)
Net carrying amount	598,801	373,428	972,229
At 31 December 2007			
Cost	1,472,771	767,681	2,240,452
Accumulated depreciation and impairment	(1,070,193)	(427,492)	(1,497,685)
Net carrying amount	402,578	340,189	742,767

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

13. QUARRY AND RESERVES

	CONSOLIDATED & PARENT	
	2008	2007
	$	$
Capitalised expenditure on acquisition, evaluation and development		
- at Directors' valuation 1996 (deemed cost)	4,672,028	4,672,028
- at cost	270,889	260,831
	4,942,917	4,932,859
Accumulated amortisation	(1,145,145)	(1,129,268)
Provision for impairment	(1,634,785)	-
Transfer to assets held for sale	(1,100,000)	-
Total Helidon Quarry and Reserves (a)	1,062,987	3,803,591
Net carrying amount at beginning of year	3,803,591	3,820,066
Additions	10,058	20,203
Disposals	-	-
Impairment loss	(1,634,785)	-
Transfer to assets held for sale	(1,100,000)	-
Amortisation charge for the year	(15,877)	(36,678)
	1,062,987	3,803,591

(a) Helidon Quarry Reserves

The company operates two quarries in the Helidon area of Queensland. Details of the mining leases are as follows:

Mining lease No. 50013 due to expire 31 January 2012;
Mining lease No. 50016 due to expire 31 July 2017; and
Mining lease No. 50213 due to expire 31 December 2019.

Deemed cost is based on a directors' valuation completed in 1996. The directors had valued the Quarry and Reserves asset based on discounted cash flows. Late in the financial year, the company made the decision to actively search a buyer for the quarry subject to ML No. 50013. This quarry has not been worked for many years, and in the current economic and financial circumstances the decision was made to realise this asset. The directors have assessed current likely sales value, including a preliminary offer received, and estimate the recoverable amount of the quarry to be $1,100,000. This has resulted in an impairment loss of $1,634,785 against the previous carrying value of $2,734,785.

The company also holds Exploration Permit for Minerals EPM No. 11005. This permit is renewable annually with the Department of Mines and Energy, and is subject to an annual renewal process. The current renewal application by the company estimates expenditure of $20,000 on exploration activities under the EPM for the renewal period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

14. TRADE AND OTHER PAYABLES (CURRENT)

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
Trade payables and accruals (unsecured)	465,209	509,006	465,209	509,006

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 19.

15. INTEREST-BEARING LOANS AND BORROWINGS

	Nominal interest rate		CONSOLIDATED		PARENT	
			2008	2007	2008	2007
	%	Maturity	$	$	$	$
Current						
Bank Overdraft	10.28	2009	184,491	58,627	184,491	58,627
Obligations under finance leases and hire purchase contracts (note 20)	8.77	2009	167,334	126,580	167,334	126,580
			351,825	185,207	351,825	185,207
Non-current						
Obligations under finance leases and hire purchase contracts (note 20)	8.77	2009-12	98,163	202,922	98,163	202,922
Loans from director related entities	7.50	After 2009	147,915	136,043	147,915	136,043
			246,078	338,965	246,078	338,965

This note provides information about the contractual terms of the Company's and Group's interest-bearing loans and borrowings which are measured at amortised cost. For more information about the Company's and Group's exposure to interest rate and liquidity and risk, see note 19.

Director related entities
These loans are unsecured, with no fixed repayment date. The related party has agreed not to call for repayment of the loan during the year ending 31 December 2009.

16. INTEREST-BEARING LOANS AND BORROWINGS (continued)

Financing facilities available
At reporting date, the following financing facilities had been negotiated and were available:

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
Total facilities:				
– bank overdraft	220,000	220,000	220,000	220,000
– other loans, finance leases/HP	265,497	329,502	265,497	329,502
– director related loans	147,915	136,043	147,915	136,043
	633,412	685,545	633,412	685,545
Facilities used at reporting date				
– bank overdraft	184,491	58,627	184,491	58,627
– other loans, finance leases/HP	265,497	329,502	265,497	329,502
– director related loans	147,915	136,043	147,915	136,043
	597,903	524,172	597,903	524,172
Facilities unused at reporting date				
– bank overdraft	35,509	161,373	35,509	161,373
– other loans, finance leases/HP	-	-	-	-
– director related loans	-	-	-	-
	35,509	161,373	35,509	161,373

The bank overdraft facility was established in November 2006 and is on normal commercial terms and conditions. The facility is secured by registered first mortgage over the Group’s property and mining leases. The carrying amount of the assets pledged as security is $2,304,029.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

16. PROVISIONS

	CONSOLIDATED & PARENT		
	Quarry restoration	Employee benefits	Total
	$	$	$
At 1 January 2008	125,770	19,912	145,682
Arising during the year	5,872	4,482	10,354
Utilised/written back	-	-	-
At 31 December 2008	131,642	24,394	156,036
Current 2008	-	19,394	19,394
Non-current 2008	131,642	5,000	136,642
	131,642	24,394	156,036
Current 2007	-	19,912	19,912
Non-current 2007	125,770	-	125,770
	125,770	19,912	145,682

Quarry restoration
A provision is recognised for restoration and rehabilitation in accordance with the Group's mining permits (see Note 2 (g)).

Employee benefits
See Note 2 (m).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

17. ISSUED CAPITAL

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
Ordinary shares				
Issued and fully paid	18,218,667	18,218,667	18,218,667	18,218,667

	2008		2007	
	Number	$	Number	$
Movement in ordinary shares on issue				
At 1 January	114,608,952	18,218,667	114,608,952	18,218,667
Movement in the year	-	-	-	-
At 31 December	114,608,952	18,218,667	114,608,952	18,218,667

Ordinary shareholders have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. One ordinary share entitles the holder to one vote, either in proxy or person, at a meeting of the Company. The Company does not have authorised capital or par value in respect of its issued shares.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company and the Group's principal financial instruments comprise borrowings, finance leases and hire purchase contracts, and bank overdrafts. The main purpose of these financial instruments is to provide finance for the Group's operations.

The Company and the Group have various other financial instruments such as trade receivables and trade payables, which arise directly from their operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The Company and the Group have exposure to the following risks from their use of financial instruments – credit risk, liquidity risk and market risk. This note presents information about the exposure to each of the above risks, and the management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company and the Group's risk management framework. The Managing Director is responsible for developing and monitoring the risk management policies The Managing Director reports to the Board.

The risk management policies are established to identify and analyse the risks faced, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies are established within a governance framework which recognizes the following specific circumstances of ChongHerr:

- It is relatively small size Company and the Group,
- The Managing Director has been a major shareholder of ChongHerr since 2000, and since that time has been active (through his role as Managing Director) in the company's strategic direction, overall performance and its operational management,
- The specialised nature of the industry and markets in which ChongHerr operates.

Comment [J1]:

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company and the Group's trade receivables from customers.

The Company and the Group trades mostly with strategically significant customers, who are subject to internal credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, and where necessary action is taken in respect of past due amounts.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Company and the Group's export products are sold on an FOB basis with 90 day terms, and normally collateral is not required in respect of trade and other receivables.

Where necessary the Company and the Group establish an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance is raised for any specific loss component that relates to individually significant exposures.

The Group's exposure to credit risk is influenced significantly by the characteristics of its customer base. For a number of years the ChongHerr Group's major revenue source has been the sale of its products into the Chinese market, and in particular to one customer Shenzen Helidon Sandstone Ltd. The Group has been and is economically dependent on this customer. Included in trade receivables at balance date is $2,191,006 relating to this customer (see note 9). This receivable has $1,902,292 past due normal trading terms and subject to vaious replayment plan, and is shown at amortised cost. The level of sales in the year to this customer is 73% (2007: 71%) of total Group sales. Whilst this represents a concentration of credit risk, the directors are satisfied with this trading arrangement. 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 and have put measures in place to achieve recovery. In particular, the Directors have agreed various repayment schedules with the debtor which would result in clearance of the entire balance due of $2,191,006 by January 2010. Payment of $97,291 have been received since balance date.

With respect to credit risk arising from the other financial assets of the Company and the Group, the exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

Liquidity risk is the risk that the Company and the Group will not be able to meet its financial obligations as they fall due. The approach to managing liquidity is to ensure, as far as possible, that there will always be sufficient liquidity to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company and the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and overdraft balances, loans, finance leases and hire purchase contracts. The Company and the Group monitor cashflow from these sources, and the collection of trade receivables and payment of trade payables.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

As outlined above the Company and the Group have a significant trade receivable outstanding, which has resulted in a low level of liquidity in the Group. The Directors are continually monitoring this situation and assessing options for increased funding of Company and Group activities.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect income or the value of holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

As a result of significant sales markets in China, the Company and the Group's financial performance can be affected significantly by movements in the exchange rates. The foreign currency exposure has been minimised by conducting all sales transactions and purchase transactions in Australian dollars.

Risk remains however in that any movement in exchange rates may cause China based customers to re-assess their exposure to Australian dollars. The Company and the Group believe China to be the main market for its products. The exposure to commodity price risk is minimal.

The exposure to market risk for changes in interest rates relates primarily to borrowing obligations. The policy at present is to manage its interest cost using fixed and variable rate debt.

At reporting date 48% (2007:43%) of the Group's liabilities are interest bearing, with approximately 44% fixed rate, with 41% due after 12 months – see notes 15 & 19 for further details.

Capital management

The Board's policy is to build and maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the capital mix, share price, as well as the return on capital.

In recent years the Board has sought to build the Company and the Group's total equity through profitable trading and retention of profits. Capital management has also seen the Company and the Group seek to utilise appropriate levels of debt and equity, for which it regularly assesses the availability and returns required on such capital sources.

The parent entity does not have any share purchase or option arrangements, and encourages directors and employees to own shares in the company. Policy is that

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

directors and employees should only trade in the company's shares in circumstances where the market is fully informed.

There were no changes to the approach to capital management during the year. Neither the parent entity nor its subsidiary is subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

19. FINANCIAL INSTRUMENTS

Credit Risk
Exposure to credit risk

The carrying amount of the financial assets represents the maximum credit exposure.
The maximum exposure to credit risk at the reporting date was:

	Consolidated carrying amount		**Company carrying amount**	
	2008	2007	2008	2007
	$	$	$	$
Cash and cash equivalents	398	3,886	398	3,886
Trade and other receivables	2,519,566	1,943,470	2,660,598	2,084,502
Other financial assets	128,471	129,548	128,481	129,548
	2,648,435	2,076,904	2,789,477	2,217,936

The Company and the Group's maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:

	Carrying amount	
	2008	2007
	$	$
Australia	46,573	50,472
South-east Asia	2,472,993	1,892,998
	2,519,566	1,943,470

Comments on the exposure to credit risk for trade receivables at the reporting date, including the major customer, are detailed in Note 18.

Impairment losses

The aging of the Company and the Group's trade receivables (net of impairment provision) at the reporting date was:

	Carrying amount 2008		**Carrying amount 2007**	
	Gross $	Impairment $	Gross $	Impairment $
Not past due	335,287	-	751,767	59,086
Past due 90-120 days	273,321	-	-	-
Past due 121-210 days	712,864	12,666	722,513	58,949
Past due 211 days to one year	1,070,424	-	540,222	31,965
More than one year	140,336	-	53,683	-
	2,532,232	12,666	2,068,185	150,000

19. FINANCIAL INSTRUMENTS (continued)

Comments on the Group's exposure to credit risk for trade receivables past due at the reporting are detailed in Note 18.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated and Company 31 December 2008

	Carrying amount $	Contract-ual cash flows $	6 months or less $	6-12 months $	1-2 years $	2-5 years $	More than 5 years $
Non-derivative financial liabilities							
Finance lease liabilities	265,497	297,037	77,750	106,550	112,737	-	-
Loan from related parties	147,915	147,915	-	-	-	147,915	-
Trade and other payables	465,209	465,209	465,209	-	-	-	-
Bank overdraft	184,491	184,491	184,491	-	-	-	-
	1,063,112	1,094,652	727,450	106,550	112,737	147,915	-

19. FINANCIAL INSTRUMENTS (continued)

Consolidated and Company 31 December 2007

	Carrying amount $	Contract-ual cash flows $	6 months or less $	6-12 months $	1-2 years $	2-5 years $	More than 5 years $
Non-derivative financial liabilities							
Finance lease liabilities	329,502	368,715	75,243	75,243	167,106	51,123	-
Loan from related parties	136,043	136,043	-	-	-	136,043	-
Trade and other payables	509,006	509,006	509,006	-	-	-	-
Bank overdraft	58,627	58,627	58,627	-	-	-	-
	1,033,178	1,072,391	642,876	75,243	167,106	187,166	-

Currency risk

The Company and the Group have no exposure to foreign currency risk at balance date.

Interest rate risk

Profile

At the reporting date the interest rate profile of the Company's and the Group's interest-bearing financial instruments was:

	Consolidated Carrying amount		Company Carrying amount	
	2008 $	2007 $	2008 $	2007 $
Fixed rate instruments				
Financial assets	2,191,006	1,839,315	2,191,006	1,839,315
Financial liabilities	(265,497)	(465,545)	(265,497)	(465,545)
	1,925,509	1,373,770	1,925,509	1,373,770
Variable rate instruments				
Financial assets	398	3,886	398	3,886
Financial liabilities	(332,406)	(58,627)	(332,406)	(58,627)
	(332,008)	(54,741)	(332,008)	(54,741)

19. FINANCIAL INSTRUMENTS (continued)

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Consolidated	**31 December 2008**		**31 December 2007**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	$	**$**	**$**	**$**
Cash and cash equivalents	398	398	3,886	3,886
Trade and other receivables	2,519,566	2,519,566	1,943,470	1,943,470
Other financial assets	128,471	128,471	129,548	129,548
Total financial assets	2,684,435	2,684,435	2,076,904	2,076,904
Trade and other payables	465,209	465,209	509,006	509,006
Interest bearing loans and borrowings	597,903	597,903	524,172	524,172
Total financial liabilities	1,063,112	1,063,112	1,033,178	1,033,178
Company				
Cash and cash equivalents	398	398	3,886	3,886
Trade and other receivables	2,660,598	2,660,598	2,084,502	2,084,502
Other financial assets	128,481	128,481	129,558	129,558
Total financial assets	2,789,477	2,789,477	2,217,946	2,217,946
Trade and other payables	465,209	465,209	509,006	509,006
Interest bearing loans and borrowings	597,903	597,903	524,172	524,172
Total financial liabilities	1,063,112	1,063,112	1,033,178	1,033,178

The basis for determining fair values is disclosed in notes2(j) and 2(l).

20. COMMITMENTS AND CONTINGENCIES

Operating lease commitments
The Group has entered into a commercial lease for certain items of operating expenditure.

This lease has an average life of approximately 1 year with renewal terms included in the contract. Renewals are at the option of the specific entity that holds the lease.

There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under the non-cancellable operating lease as at 31 December are as follows:

	CONSOLIDATED		**PARENT**	
	2008 $	2007 $	2008 $	2007 $
Within one year	39,552	45,580	39,552	45,580
After one year but not more than five years	-	39,552	-	39,552
More than five years	-	-	-	-
	39,552	85,132	39,552	85,132

Finance lease and hire purchase commitments
The Group has finance leases and hire purchase contracts for various items of plant and machinery, with standard commercial terms and conditions.

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	2008		**2007**	
	Minimum payments $	Present value of payments $	Minimum Payments $	Present value of payments $
CONSOLIDATED & PARENT				
Within one year	184,300	167,334	150,486	126,580
After one year but not more than five years	112,737	98,163	218,229	202,922
Total minimum lease payments	297,037	265,497	368,715	329,502
Less amounts representing finance charges	(31,540)	-	(39,213)	-
Present value of minimum lease payments	265,497	265,497	329,502	329,502

20. COMMITMENTS AND CONTINGENCIES (continued)

Capital expenditure commitments

At 31 December 2008 the Group had made no commitments to purchase capital equipment. (2007:$Nil). Exploration permit commitments are set out in note 13.

Contingencies

The Parent entity had commenced legal action, in the 2006 financial year, relating to sub-lease arrangements over one of the company's quarries. That matter was settled in court in 2007 in favour of the Company (with an award of costs estimated to be $40,000). This matter has been appealed by the counter-party and decided in favour of the Company. A further appeal has been lodged and the Company continues to litigate the matter. The Company does not believe there is any valid claim against it. The Company is however incurring significant legal costs on the matter, but it is not presently possible to estimate any final amount of costs recoverable.

As a result of the Australian Taxation Office (ATO) program of routine and regular tax audit, the Group is subject to an audit with the significant issue being the availability of carry forward tax losses which have been applied against taxable income in prior years, and which the Company continues to recognise in its annual tax returns. The amount of the losses under audit is $4.63 million (tax effect $1.4 million) of which $3.0 million has been offset against current and prior year's taxable income. The Directors believe that the Company has satisfied the requirements to carry forward, and utilise, these tax losses under the Income Tax Assessment Act (1997). Discussions with the ATO are continuing.

There are no other material contingent assets or liabilities as at balance date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

21. RELATED PARTY DISCLOSURE

(a) The consolidated financial statements include the financial statements of ChongHerr Investments Ltd and the subsidiaries listed in the following table.

Name	Country of incorporation	% Equity interest 2008	% Equity interest 2007	Investment $ 2008	Investment $ 2007
Australian Sandstone Industries Pty Ltd	Australia		100		10

ChongHerr Investments Ltd is the ultimate parent entity.

(b) Loans provided by directors (directly or indirectly) are as follows:

Directors – 2008	Balance 1/1/08 $	Interest Accrued $	Net Advances $	Balance 31/12/08 $
Mr De Hui Liu & Mr Zhen Lu	136,043	9,320	(2,448)	142,915

Directors – 2007	Balance 1/1/07 $	Interest Accrued $	Net Advances $	Balance 31/12/07 $
Mr De Hui Liu & Mr Zhen Lu	128,974	7,705	(636)	136,043

(c) Terms and conditions of transactions with related parties

The loans provided by directors are unsecured, with no fixed repayment date. The related party has agreed not to call for repayment of the loan during the year ending 31 December 2009.

There have been no guarantees provided or received for any related party receivables.

22. EVENTS AFTER THE BALANCE SHEET DATE

Since balance date the Group has continued to pursue the matters detailed in Note 2(b) regarding going concern and the collection of amounts owing to the Group. In particular, the Directors have agreed various repayment schedules with the debtor which would result in clearance of the entire balance due of $2,191,006 by January 2010, with $2.07 million due during the 12 months to December 2009. Payments of $97,291 have been received since balance date.

22. EVENTS AFTER THE BALANCE SHEET DATE (continued)

The Group has also continued with initiatives towards a sale of one of the quarries (see note 13), and at the date of issue of these financial statements negotiations are continuing with an interested party.

No other matters or circumstances have arisen since the end of the financial year that significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

23. AUDITORS' REMUNERATION

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
Amounts received or due and receivable by KPMG Australia (current auditor) for:				
• an audit or review of the financial report of the entity and any other entity in the consolidated entity	75,049	49,802	75,049	49,802
• other services in relation to the entity and any other entity in the consolidated entity	-	-	-	-
	75,049	49,802	75,049	49,802

24. DIRECTOR AND KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Details of Directors and Key Management Personnel

Mr De Hui Liu	Chairman and Managing Director
Mr Zhen Lu	Director (non-executive)
Ms Sophia Xiaoqing Kong	Director (non-executive)

b) Remuneration

	CONSOLIDATED & PARENT	
	2008	2007
	$	$
Short term employee benefits	45,203	111,453
Post employment benefits	4,293	38,835
Other long term benefits	-	-
Equity based renumeration	-	-
	49,496	150,288

Detailed disclosures on remuneration for directors and key management personnel are set out in the Remuneration Report included in the Directors' Report.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

c) Shareholdings

Ordinary shares held in ChongHerr Investments Ltd

	Balance 01-Jan-08	Movement	Balance 31-Dec-08
Directors			
Green Mountain Holdings Pty Ltd (i)	56,584,357	-	56,584,357
Mr De Hui Liu (ii)	16,418,057	-	16,418,057
Mr Zhen Lu	-	-	-
Ms Sophia Xiaoqing Kong	-	-	-
Total	73,002,414	-	73,002,414

(i) Mr Liu is a shareholder in Green Mountain Holdings. Mr Liu's interest in Green Mountain Holdings is 76.1%.
Green Mountain Holdings is the Australian controlling company of ChongHerr Investments Ltd.

(ii) This interest is held via the Liu and Zhuang Family Trust, of which Mr Liu is a trustee.

d) Other transactions and balances

Details of other transactions with directors and key management personnel, being loans from certain directors, are set out in note 21.

25. ECONOMIC DEPENDENCY

ChongHerr Investments Ltd Group is economically dependent upon one major customer, Shenzhen Helidon Sandstone Ltd which is a company domiciled in China (refer notes 2(b), 9, 18, 19 and 22).

The balance of trade receivables as at 31 December 2008 includes $ 2,191,006 (2007: $1,989,315) relating to this customer, of which $1,902,292 (2007: 1,262,736) is past due normal trading terms and subject to various repayment plans. This receivable amount is 87% (2007: 96%) of total receivables. Sales to this customer in the year were $1,793,827 (2007: $2,214,623), being 73% (2007: 71%) of total Group sales. A provision for impairment of $12,666 (2007: $150,000) has been raised against this debt in the current year.The directors have agreed repayment schedules with the debtor which would result in clearance of the entire balance due of $2,191,006 by January 2010, with $2.07 million due during the 12 months to December 2009.

26. NON-CURRENT ASSETS HELD FOR SALE

The Directors have taken the decision to seek the sale of one of the Company's quarries during the year ending 31 December 2009. An impairment loss of $1,634,785 on the remeasurement of the asset to its fair value less costs to sell of $1,100,000, has been recognised separately in the income statement.

Directors' Declaration

1 In the opinion of the directors of ChongHerr Investments Ltd ('the Company'):

(a) the financial statements and notes, and the remuneration disclosures that are contained in the remuneration report in the Directors' Report, set out on pages 14 to 65, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2008 and of their performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a);

(c) the remuneration disclosures that are contained in the Remuneration report in the Directors' Report comply with Australian Accounting Standards AASB124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001; and

(d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 31 December 2008.

Signed in accordance with a resolution of the directors, on behalf of the Board

Mr De Hui Liu
Managing Director
ChongHerr Investments Ltd
27 February 2009
Brisbane, Australia

Independent auditor's report to the members of ChongHerr Investments Limited

Report on financial report

We have audited the accompanying financial report of ChongHerr Investments Limited (the Company), which comprises the balance sheets as at 31 December 2008, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 2(a) to (f) and the directors' declaration set out on pages 14 to 66 of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

KPMG

Auditor's opinion

In our opinion:

(a) the financial report of ChongHerr Investments Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2(a).

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2(b) in the financial report which indicates that the balance of trade receivables as at 31 December 2008 of $2,533,232 includes $2,191,006 owing by the Group's main customer, of which $1,902,292 is outside normal credit terms. A provision for impairment loss of $12,666 has been recognised against this debtor (refer Note 9 in the financial report). Furthermore, we draw attention to note 25 in the financial report which indicates the economic dependence of the Group on this customer.

Note 2(b) describes the actions that management has taken in relation to obtaining payment of this receivable and the basis upon which they consider it to be recoverable. This includes repayment arrangements agreed with the debtor in July 2008 and January 2009 to make monthly repayments of the amount owing commencing in February 2009. The repayment arrangements call for cash payments totalling $2,198,900 during the period February 2009 to January 2010.

The dependence of the Group on the future cash flows associated with the collection of this receivable in accordance with the repayment arrangement, in order to fund ongoing operating activities, along with other matters as set forth in Note 2(b), indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in pages 9 and 10 of the directors' report for the year ended 31 December 2008. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with the auditing standards.

In our opinion, the remuneration report of ChongHerr Investments for the year ended 31 December 2008, complies with section 300A of the *Corporations Act 2001*.

KPMG

M L Gray
Partner

Brisbane
27 February 2009

CHONGHERR INVESTMENTS LTD
AUSTRALIAN STOCK EXCHANGE ADDITIONAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2008

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere is as follows:

The information is made up to 5 February 2009.

(a) **Twenty largest shareholders**

The names of the twenty largest holders of quoted shares are:

Name of shareholder	*No of Shares Held*	*% of Total*
Green Mountain Holdings Pty Ltd	56,584,357	49.37%
Mr De Hui Liu (Liu & Zhuang Family Trust)	16,418,057	14.33%
Mr Jianming Xiong	12,960,000	11.31%
Rangeworthy Pty Ltd (The Edgley Family Account)	5,733,072	5.00%
Min Shi	2,997,635	2.62%
Mr Bin Zhuo	2,450,000	2.14%
Mr Wing Fung Chung	2,040,000	1.78%
Desibi Pty Ltd	1,770,000	1.54%
Mr Liu Dejun	1,650,000	1.44%
Mr Zao Fa Wu	1,360,000	1.19%
Ms Rosaline Choy (The Kin Wai Super Fund A/C)	800,000	0.70%
Mr Timothy Frederick Berlet	600,000	0.52%
Jaysea Limited	500,000	0.44%
Mr Graham Alan Leaver	493,290	0.43%
Citicorp Nominees Pty Limited	450,000	0.39%
Apex Marble & Granite Pty Ltd (Directors Super Fund A/c)	435,500	0.38%
Mr Kevin Jan	375,000	0.33%
Carojan Pty Ltd (Imbruglia Super Fund A/c)	359,640	0.31%
Mrs Anne Marie Leaver	241,000	0.21%
BUJO Pty Ltd	220,000	0.19%
Portion held by 20 Largest Holders	108,437,551	94.62%

(b) **Distribution** of equity securities

The number of shareholders by size of holding, in each class of share are:

Range	No. of Holders	%	Quantity	%
1-1000	25	8.53	16,511	0.01
1001 – 5,000	105	35.84	320,400	0.28
5,001 – 10,000	44	15.02	373,155	0.33
10,001 – 100,000	84	38.67	3,137,959	2.74
100,001 and Over	35	11.95	110,760,927	96.64

Marketable Parcel

The number of shareholders holding less than a marketable parcel is 254.

Substantial Shareholders

There are four substantial shareholders: Green Mountain Holdings Pty Ltd, The Liu and Zhuang Family Trust, Mr Jianming Xiong, and Rangeworthy Pty Ltd as disclosed above.

(c) Voting Rights

- On a show of hands every member present is person or by proxy shall have one vote.
- Upon a poll, each fully paid share shall have one vote.

CHONGHERR INVESTMENTS LTD
ABN 52 054 161 821

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The Board of directors of ChongHerr Investments Ltd ("ChongHerr") is responsible for the corporate governance of the company and its subsidiary.

The Board guides and monitors the business and affairs of ChongHerr on behalf of the shareholders, by whom they are elected and to whom they are accountable.

The Board has established a governance framework for the conduct of the affairs of ChongHerr. This framework is based on the requirements of the company and the Corporate Governance Principles and Recommendations (2nd edition) ("Principles") published by the Corporate Governance Council formed by the Australian Securities Exchange ("ASX"). The ChongHerr governance framework also recognizes the following specific circumstances of ChongHerr:

- It is relatively small size company,
- Mr De Hui Liu has been a major shareholder of ChongHerr since 2000, and since that time has been active (through his role as Managing Director) in the company's strategic direction, overall performance and its operational management,
- The specialised nature of the industry& markets in which ChongHerr operates.

Comment [J2]:

Due to the circumstances of ChongHerr's size and scope of operations the corporate governance framework varies, in some instances, from the Principles. However the Board believes that ChongHerr operates at an acceptable level of corporate governance. The ASX recognises that such variations may occur as the Corporate Governance Principles and Recommendations are not a "one size fits all" solution.

Set out below is the company's corporate governance framework. This Corporate Governance Statement is available on the company's internet site.

BOARD OF DIRECTORS

(Principle 1 – lay solid foundations for management and oversight; Principle 2 – structure the Board to add value)

Board function

The Board guides and monitors the business and affairs of the ChongHerr. The Charter of the Board is as follows:

- Setting corporate mission, strategic direction and objectives,

- Input into and ratifying any significant business transactions and/or changes to the company,
- Adopting an annual business plan/budget, setting performance targets, and monitoring performance against the plan and targets,
- Monitoring significant business risks and ensuring they are appropriately managed,
- Ensuring adequate internal controls exist and are appropriately monitored for compliance,
- Assessing company performance, Board structure and performance, and director (including the Managing Director) performance,
- Setting the business standards and ethical conduct of the company,
- Share capital management,
- Reporting to shareholders.

The conduct of the company's operational activities and its day-to-day business affairs are the responsibility of the Managing Director and company staff. The Board has a planned meeting process to undertake its responsibilities and to receive reports from the company's staff on the conduct of business. The Board is also able to meet on an unplanned basis where necessary. A Board member is also entitled to seek independent professional advice when deliberating on a matter (any such advice is at the company's expense).

Board Structure

Corporations law requires that the company has a minimum of 3 directors. The Constitution of ChongHerr provides for 1/3 of directors (other than the Managing Director) to retire from office at every Annual General Meeting, and for a director (other than the Managing Director) to retire at the conclusion of the third Annual General Meeting after which the director was elected and re-elected.

The size and composition of the Board is assessed annually to ensure it has the appropriate mix of skills, experience and expertise. The Board reviews its performance and that of the individual directors during each year. The rotation requirements included in the company's constitution also facilitates shareholders' input on and review of directors' performance and Board structure.

Company performance is regularly assessed by the Board and management, with evaluation against a range of factors including industry benchmarks and internal operational and financial targets. The performance of directors and individual management is regularly assessed on a similar basis.

Directors in office

The directors of ChongHerr currently are:

Mr De Hui Liu	Chairman & Managing Director, and a major shareholder
Mr Zhen Lu	Non-executive director

Ms Sophia Xiaoqing Kong Non-executive director

Information on directors' skills and experience, remuneration, equity in the company and attendance at Board meetings is set out in the Directors' Report included in the company's Annual Report.

A number of the company's directors are not independent of the company. Directors of ChongHerr are considered independent when:

- They are not an employee of the company,
- They are not a substantial shareholder, or associated with a substantial shareholder,
- They are free from any business, contractual or other relationship with the company that could materially interfere with, or could reasonably be perceived to interfere with, their ability to act in the best interests of ChongHerr.

One of the company's directors, Mr Liu, is a major shareholder in the company. The Board recognises the longstanding involvement of Mr Liu in the company through his shareholding and his involvement in restructuring of the company and its business activities. The Board also recognises the importance of Mr Liu's commercial expertise in ChongHerr's business.

Ms Kong is also considered not to be an independent director by virtue of the fact that she also is the Company Secretary.

The Board recognises that it is not in conformity with the Principles requiring that a majority of the Board is independent, that the Chairperson is independent, and that the Chairperson and Chief Executive are not the same individual. The Board also does not have a nominations/selections sub-committee, this function is undertaken by the entire Board. The Board also recognises that it is not in conformity with the Principles requiring that a separate sub-committee of the Board undertakes the responsibilities of nominations/selections. Given the size, history and activities of ChongHerr, the directors believe the existing Board composition is appropriate, and in these circumstances it is most efficient for the entire Board to deal with nominations/selections.

ETHICAL CONDUCT

(Principle 3 – promote ethical and responsible decision making)

All directors and employees are expected to observe the highest standards of general behaviour and business ethics.

ChongHerr's general principles of conduct in all business affairs are:
- Comply with the law,
- Act honestly with integrity and objectivity,
- Disclose conflicts of interest,
- Have a clear understanding of corporate and regulatory expectations,

- Be responsible and accountable.

Trading in company securities

ChongHerr encourages directors and employees to own shares in the company. ChongHerr's policy is that directors and employees should only trade in the company's shares in circumstances where the market is fully informed, consequently:

- The directors and employees will not engage in short term trading of the company's shares;
- The directors and employees will not buy or sell shares at a time when they possess information which, if disclosed publicly, would be likely to materially affect the market price of the company's shares;
- Trading in the company's shares is permitted:
  - a) from the release of the Annual Report until 30 days after the Annual General Meeting,
  - b) from the release to the market until 30 days after the release, of any of the half yearly financial report, the annual financial report, any other reports relating to the financial performance or financial status of the company, and ,
- In addition, all employees are reminded of the insider trading laws.

At all times, the director or employee must notify the Board (through the Managing Director) in advance of any intended transactions involving the company's shares. It is also recognized that there may be circumstances where it may not be appropriate for directors and employees to buy and sell within the above 30 day windows as they may have knowledge of market sensitive information.

The directors and employees must advise the company of any completed trades immediately.

FINANCIAL REPORTING

(Principle 4 – safeguard intergrity in financial reporting)

ChongHerr has various financial systems in place to measure and report on the company's performance. These systems function in respect of internal and external information needs. The company's external financial reporting is in accordance with the requirements of the Corporations Act and ASX listing rules.

The size of the company and composition of the Board enables the directors to have involvement with and awareness of ChongHerr's financial systems and reporting, and direct contact with the external auditor. The Board does not utilise a sub-committee to overview audit and risk management, this function is undertaken by the entire Board.

As part of the adoption, by the Board, of the annual financial report, a certificate is given by the Managing Director as to the compliance of the financial statements with the Corporations Act.

The Board recognises that it is not in conformity with the Principles requiring that the company has an Audit Committee. Given the size, history and activities of ChongHerr, the directors believe it is most efficient for the entire Board to deal with audit and risk management matters.

CONTINUOUS DISCLOSURE

(Principle 5 – make timely and balanced disclosure)

ChongHerr recognises the requirement to comply with ASX disclosure rules.

The Managing Director and Company Secretary have responsibility for monitoring company activities in relation to the continuous disclosure of information to the market. They consult with the Board on any relevant matters, and the Board approves the release of any company announcement. The Managing Director is authorised to make announcements regarding the company.

SHAREHOLDERS' RIGHTS

(Principle 6 - respect the rights of shareholders)

ChongHerr recognises the rights and interests of shareholders and other stakeholders, and aims to ensure that the market is informed of all major developments affecting the company's state of affairs.

The information is communicated to shareholders and the marketplace in general:

- By the Annual Report being distributed to all shareholders. The Annual Report contains all relevant information about the operations of the company during the financial year, together with details of future developments and other disclosures required under the Corporations Act, and ASX listing rules;
- By the Half Year results report distributed to all shareholders;
- By disclosures forwarded to the ASX under the company's continuous disclosure obligations;
- Through the company's web site;
- At the Annual General Meetings.

In addition, shareholders are encpouraged to attend general meetings of the company. The company's auditor also attends the Annual General Meeting and is available to answre questions about the conduct of the audit.

RISK MANAGEMENT

(Priciple 7 – recognise and manage risk)

The Board has oversight of the company's risk management framework, whilst day-to-day risk management is primarily conducted through management.

The company manages risk through appropriate review processes, operational guidelines, insurance arrangements, reporting and use of relevant advisors. The risk management framework seeks to balance risk and return within the scope of the company's size and activities.

Key areas of risk for the company include economic and market forces, operational risk, financial risk, and legal compliance. As part of the adoption, by the Board, of the annual financial report, a certificate is given by the Managing Director as to the effective operation of appropriate risk management and internal control systems within the company under section 295A of the Corporations Act.

REMUNERATION GUIDELINES

(Principle 8 – remunerate fairly and responsibly)

Company performance is regularly assessed by the Board and management, with evaluation against a range of factors including industry benchmarks and internal operational and financial targets. The performance of directors and individual management is regularly assessed on a similar basis.

ChongHerr utilises the following guidelines to motivate directors and executives to pursue company objectives, and ensure their interests and those of the shareholders are closely aligned:

- Remuneration packages should be set in the context of what is reasonable and fair taking into account the company's legal obligations, labour market conditions, the scale of the business and competitive forces, and employee performance;
- In accordance with the company's Constitution, the amount of fees payable to directors is limited to that amount approved by shareholders (currently no amount has been approved); and,
- Any equity based remuneration requires shareholder approval.

Details of remuneration of directors and senior executives are included in the Director's Report within the company's Annual Report.

Due to the size of the company and composition of the Board, ChongHerr does not have a remuneration committee. The Board sets the remuneration of individual directors including the Managing Director. The Board recognises that it is not in conformity with the Principles requiring that a separate sub-committee of the Board undertakes the responsibilities of remuneration. Given the size, history and activities of ChongHerr, the directors believe it is most efficient for the entire Board to deal with remuneration matters.

The Board assesses the appropriateness of the nature and amount of remuneration on a periodic basis. In setting remuneration, directors and key management personnel are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group. The Group does not provide any equity based remuneration.

APPLICATION

The Board will continue to monitor and review the company's governance framework for its relevance to the company and its conformity with best practice and marketplace expectations.