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ANNOUNCEMENT TO THE MARKET

APPENDIX 4E - PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

ChongHerr Investments Ltd is pleased to announce the financial result for the year ended 31 December 2017.

During the year of review, the company recorded a net operating loss of $1,046,525. The substantial loss result is impacted by impairment of quarry and reserves, write-off of capitalised exploration expenses and the departure of a selfloading contractor.

The company's Appendix 4E report is attached and should be read together with Annual Report 2017.

For further information, please contact Mr De Hui Liu on 07 3711 2088.

刘德辉

Dehui Liu
Managing Director
ChongHerr Investments Ltd
28 February 2018
Brisbane, Australia

CHONGHERR INVESTMENTS LTD
ABN 52 054 161 821

APPENDIX 4E - PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017
(Previous corresponding period year ended 31 December 2016)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Year ended 31.12.2017 (A$)	Year ended 31.12.2016 (A$)	Movement (A$)	Movement (%)
Sale Revenue	1,220,431	1,489,221	-268,790	-18
(Loss)/Profit from ordinary activiteis after tax attributable to members	(1,046,525)	244,412	-1,290,937	-528
Net (loss)/profit for the period attributable to members	(1,046,525)	244,412	-1,290,937	-528

Dividens	Amount per share (cents)	Franked amount per share (cents)
Final dividend	-	-
Interim dividend	-	-
Previous corresponding period	-	-

Record date for determining etitlements to dividends: N/A

Commentary Notes

Operating Result

Deteriorating market conditions, the loss of a key self loading contractor in July 2017 and increased costs of production and our ongoing review of the sandstone business has resulted in $739,572 impairment of our quarry and reserve asset at 31 December 2017.

The company elected not to renew an Exploration Permit for Minerals EPM 11005 which expired in March 2017. On expiry of EPM 11005, all exploration and evaluation assets associated with this EPM totaling $179,566 were fully written-off.

The selfloading contractor who had been opearitng for many years in the quarry opted not to continue after July 2017 and thus significantly impacted sales in the second half of the year. The shortfall of the sales however was partially offset by the increase in self-production. Total sales for the periods recorded at $1,220,431, represented a decrease of 18% compared to $1,489,221 the previous corresponding period (year ended 31 December 2016).

The result from continuing ordinary activities after tax (and the net result for the period) attributable to members is a loss of $1,046,525. The operating result of the year resulted in basic dilution of 0.80 cents per share.

Financial Position

The financial statements have 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 2017, ChongHerr Group's consolidated statement of financial position shows total assets of $2,172,175, total liabilities of $558,516, and net assets of $1,613,659. Current assets total $591,453 and include current receivables of $426,987. Current liabilities total $398,459. The recoverable amount of quarry and reserve assets is $1,084,628 at 31 December 2017 which included the impairment of the quarry and reserves of $739,572 at 31 December 2017.

The financial statements have been prepared on a going concern basis as the directors closely monitor the group's cash flow projections and working capital position and expect to meet the forcasted revenue and cash flow results. The directors believe that these are sufficient to continue to fund the Group's working capital requirements.

2017 Production Highlights

The year records the production of around 1,000 tons of quality blocks for export and more than 2,000 tons of premium boulders for construction in the local market.

Secondary products, such as random boulders and rubbles produced and sold locally, also form a considerable portion of the revenue for the year.

Market Outlook 2018

The group continues to strive for efficiencies in production processes and to ensure larger orders from both local and overseas market. We anticipate sourcing a self-loading contractor/s in 2018. The group will continue to focus on the Chinese market and invest resources into marketing its products through sales representation in major cities throughout China. The biggest challenge for the coming year is still the impact of the Chinese economy.

1. NET TANGIBLE ASSET BACKING

Net tangible asset backing per security as at 31 December 2017 is 1.24 cents (31 December 2016: 2.04 cents).

2. CHANGE IN COMPOSITION OF THE REPORTING ENTITY

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

3. DIVIDENDS

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

4. DETAILS OF ASSOCIATES OR JOINT VENTURE ENTITIES

ChongHerr Investments Ltd has no associates or joint venture entities as at 31 December 2017.

5. FOREIGN ENTITIES

ChongHerr Investments Ltd is incorporated and domiciled in Australia.

6. FINANCIAL REPORT

This report is based on accounts which are in the process of being audited. The audited accounts will be released with Annual Report 2017 at the same time.

For further information contact: Mr De Hui Liu on 07 3711 2088.

Dehui Liu
Managing Director
CHONGHERR INVESTMENTS LTD

28 February 2018

CHONGHERR INVESTMENTS LTD

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CHONGHERR INVESTMENTS LTD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	CONSOLIDATED 2017 $	2016 $
Revenue			
Sale of goods		1,220,431	1,489,221
Cost of sales		(1,022,876)	(895,034)
Gross profit		197,555	594,187
Other income	4	144,930	97,903
Selling and distribution expenses		(217,989)	(178,957)
Corporate and administration expenses		(240,804)	(232,563)
Impairment of trade receivables		-	(14,582)
Impairment of quarry and reserve	4	(739,572)	-
Finance costs	4	(6,546)	(19,915)
Other expense	4	(184,099)	(1,661)
(Loss)/Profit before tax		(1,046,525)	244,412
Income tax expense	5	-	-
(Loss)/Profit after tax		(1,046,525)	244,412
Other Comprehensive Income, net of tax		-	-
Total Comprehensive (loss)/Income		(1,046,525)	244,412
Earnings per share (cents per share)	6		
– basic earning per share		(0.80)	0.19

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

CHONGHERR INVESTMENTS LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	CONSOLIDATED		
	Issued Capital $	Accumulated Losses $	Total Equity $
At 1 January 2016	18,373,250	(15,957,478)	2,415,772
Comprehensive income for the year:			
Profit for the year	-	244,412	244,412
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	244,412	244,412
At 31 December 2016	18,373,250	(15,713,066)	2,660,184
Comprehensive income for the year:			
Loss for the year	-	(1,046,525)	(1,046,525)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(1,046,525)	(1,046,525)
At 31 December 2017	18,373,250	(16,759,591)	1,613,659

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

CHONGHERR INVESTMENTS LTD

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	NOTES	CONSOLIDATED	
		2017	2016
		$	$
ASSETS			
Current Assets			
Cash and cash equivalents	8	70,659	39,942
Trade and other receivables	9	426,987	432,016
Inventories	10	57,886	183,597
Prepayments		35,921	22,112
Total Current Assets		591,453	677,667
Non-current Assets			
Other financial assets	11	74,907	74,011
Property, plant and equipment	12	406,576	471,777
Quarry and reserves	13	1,084,628	1,846,899
Exploration & evaluation assets		14,611	193,994
Total Non-current Assets		1,580,722	2,586,681
TOTAL ASSETS		2,172,175	3,264,348
LIABILITIES			
Current Liabilities			
Trade and other payables	14	315,270	331,580
Borrowings	15	28,238	48,793
Provisions	16	54,951	38,998
Total Current Liabilities		398,459	419,371
Non-current Liabilities			
Borrowings	15	-	28,238
Provisions	16	160,057	156,555
Total Non-current Liabilities		160,057	184,793
TOTAL LIABILITIES		558,516	604,164
NET ASSETS		1,613,659	2,660,184
EQUITY			
Issued capital	17	18,373,250	18,373,250
Accumulated losses		(16,759,591)	(15,713,066)
TOTAL EQUITY		1,613,659	2,660,184

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

CHONGHERR INVESTMENTS LTD

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	CONSOLIDATED 2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		1,334,487	1,461,660
Payments to suppliers and employees		(1,341,469)	(1,246,566)
Finance costs		(6,544)	(11,892)
Interest received		896	966
Receipts from workers compensation		4,995	33,246
Receipts from fuel credit refund		88,224	51,703
Net cash flows from operating activities	8	80,589	289,117
Cash flows from investing activities			
Payments for exploration & evaluation assets		(183)	(36,716)
Payments for property plant and equipment		(25,000)	-
Proceeds from sale of property, plant and equipment		25,000	-
Investments (used in)/from other financial assets		(896)	18,054
Net cash flows used in investing activities		(1,079)	(19,798)
Cash flows from financing activities			
Repayment of finance lease liabilities		(48,793)	(76,242)
Net cash flows used in financing activities		(48,793)	(76,242)
Net increase in cash and cash equivalents		30,717	194,213
Cash and cash equivalents at beginning of period		39,942	(154,271)
Cash and cash equivalents at end of period	8	70,659	39,942

The accompanying notes form an integral part of this financial statement

1. CORPORATE INFORMATION

The financial statements of ChongHerr Investments Ltd for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 27 February 2018. The financial statements cover the consolidated entity of ChongHerr Investments Ltd and its controlled entities.

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 Address of the Group's registered office is Lot 50, Goldmine Road, Helidon 4344, Queensland.

The nature of the operations and principal activities of the Group are the quarrying of sandstone and manufacture of sandstone products.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Chongherr Investments Ltd is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The consolidated financial statements of the Chongherr Investments Ltd group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Going Concern

The Group substained a net operating loss of $1,046,525 (2016: profit of $244,412) for the year ended 31 December 2017. As at 31 December 2017 the Group has net cash reserves of $70,659 (2016:39,942), net current assets surplus of $192,994 (2016: $258,297) and net assets surplus of $1,613,659 (2016: $2,660,184).

There are two major customers with a substantial portion of the debt past due at the end of the financial year. The directors believe the balance of the debts are recoverable and regular payments are being received. The directors carefully monitor ChongHerr's financial performance and position.

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

- the ability of the group to meet its forecast revenue figures; and
- the ability of the group to manage its creditors within available credit terms and working capital resources.

The directors believe that the going concern basis of preparation is appropriate due to the justification that the directors closely monitor the Group's cash flow projections and working capital position and expect to meet the forecasted revenue and cash flow results. The directors believe that this is sufficient to continue to fund the Group's working capital requirements.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards and Interpretations

New and amended standards adopted by the group

The Group has adopted all the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. None of these new standards and amendments to standards affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

New Accounting Standards and Interpretations not yet mandatory or early adopted for application in the future periods.

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

(i) AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 July 2018)

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include upfront accounting for expected credit loss.

The initial application of AASB 9 is expected to have the following impact on the financial statements:

Further reduction in the carrying amount of trade receivables as at 31 December 2017 due to additional loss allowances (measured as 12-month and life-time expected credit losses) provided for such instruments that are not yet past due and past due but not yet impaired. The assessment of financial impact on account of the above is still in progress.

(ii) AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 July 2018)

When effective, this Standard will replace the current accounting requirements in AASB 118 and the related interpretations. The core principle of the Standard is that

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. Revenue is recognised through a five-step process that notably involves identifying a contract with customer and the related performance obligations and recognising revenue (as a portion of transaction price allocated to such performance obligations) as and when the performance obligation is satisfied.

The key areas of change that may impact the Group's financial statements have been identified below:

- identification and categorisation of performance obligations on each contract, which would influence the timing of revenue recognition on each contract deliverable;
- capitalisation of costs incurred in procuring a contract that is expensed under the existing accounting policies;
- upfront estimation of credit risk applicable to each customer and factoring the same in the revenue recognition of each contract;
- estimation of the variable consideration in the transaction price and including that portion in the revenue recognition on the contract for the current year; and
- additional qualitative and quantitative disclosures regarding contracts and the related amounts.

The assessment of the financial impact on account of the above changes in accounting policies is still in progress and as such not known at this stage, however, the impact is not expected to be material.

(iii) AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 July 2019)

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The directors do not anticipate that the adoption of AASB 16 will impact the Group's financial statements.

b) 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.

c) 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 date.

All exchange differences in the consolidated financial statements are taken to the profit or loss.

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.

d) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major depreciation periods are

- Plant & equipment	3-8 years
- Leased Plant & equipment	3-8 years

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 profit or loss in the year the item is derecognised.

e) 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 that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit and loss using the effective interest method.

f) Quarry and reserves

Quarry and reserves represents expenditure on the acquisition, evaluation and development of mining leases. These costs are only carried forward to the extent that they are expected to be recouped through successful development. The cost of property, plant and equipment in relation to the quarry is recorded separately in the statement of financial position.

The estimated quantities of economically recoverable reserves are based upon interpretations of geological and geophysical models and surveys.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Exploration and evaluation assets

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction and production phases that give rise to the need for restoration. Accordingly, these costs are recognised gradually over the life of the facility as these phases occur. The costs include obligations relating to reclamation, waste site closure, plant closure and other costs associated with the restoration of the site. In determining the restoration obligations, the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to restoration of such mines in the future.

Both for close down and restoration and for environmental clean-up costs, provision is made in the accounting period when the related disturbance occurs, based on the net present value of estimated future costs.
For close down and restoration costs, which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas, movements in provision other than the amortisation of the discount, such as those resulting from changes in the cost estimates, lives of operations or discount rates, are capitalised into the carrying amount of development and amortised against future production.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Impairment

Impairment – Non-financial Assets
The Group assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

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 assets 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) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position 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 statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above and bank overdraft.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) 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 profit or loss 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

Short-term employee benefits

Provision is made for the Group’s obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group’s obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group’s obligations for employees’ annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Retirement benefit obligations

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

l) Leases

Finance leases, which transfer to the Group substantially all the risks and rewards 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 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.

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 profit or loss on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Financial Instruments

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss, in which case transaction costs are expensed to immediately.

Classification and subsequent measurement
Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:
a) the amount at which the financial asset or financial liability is measured at initial recognition;
b) less principal repayments;
c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
d) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this

cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.
The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Loans and receivables.
   Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

ii. Financial liabilities.
   Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment – Financial assets

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a “loss event”) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.
For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.
When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fair values of Group's financial assets and liabilities approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form.

n) 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.

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.

Fuel credit refund
Fuel credit refund is recognised when the right to receive the refund was granted.

o) 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 tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes relating to items recognised directly in equity.

The Group has substantial carried 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.

p) 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
- 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 statement of financial position.

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.

q) Comparatives

When required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current year.

r) Parent entity financial information

The financial information for the parent entity, Chongherr Investments Ltd, disclosed in note 25 has been prepared on the same basis as the consolidated financial statements, except as set out below:

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the individual financial statements of the parent entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Critical 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

The cost of quarry and reserves is carried forward on the statement of financial position 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.

The recoverable amount of quarry and reserves is determined based on value-in-use calculations. value-in-use is calculated based on the present value of cash flow projections over a 5-year period with the period extending beyond five years extrapolated using an estimated growth rate. The cash flows are discounted using the yield of a 10-year government bond at the beginning of the budget period.

The following assumptions were used in value-in-use calculations:

Growth rate	Pre-Tax Discount rate
1.3%	13.52%

Further analysis of key assumptions and the impact of possible changes to key assumptions is included in Note 13: Quarry and reserves.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management has based the value-in-use calculations on budgets. These budgets use CPI as a proxy growth rate to project revenue based upon the historical three year average revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

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

Income tax

The Group has substantial carried 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.

Receivables

- 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 can extend over a longer term.

3. SEGMENT INFORMATION

Determination and presentation of operating segments

The Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

The ChongHerr Group operates solely within the sandstone quarrying industry in Queensland. A significant amount of product is exported to south-east Asia. The Group manages its business on a geographical basis which reflects the strategic, financial and operational needs – South-east Asia and Australia reflect the two major markets for product, and Australia reflects the production and corporate activities, as well as some local product sales. The South-east Asia segment is closely integrated with the Australian segment, as it draws its product from Australia.

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

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is $1,505,815 (2016: $2,512,670) and the total of these non-current assets located in other countries is nil (2016: nil). Segment assets are allocated to countries based on where the assets are located.

3. SEGMENT INFORMATION (Continued)

	South-east Asia *$*	*Australia* *$*	*Total* *$*
31 December 2017			
External revenue	285,158	935,273	1,220,431
Other revenue	-	144,030	144,030
Interest income	-	900	900
Interest expense	-	(6,546)	(6,546)
Depreciation and amortisation	-	(102,980)	(102,980)
Reportable segment profit/(loss) before income tax	59,021	(704,222)	(645,201)
Unallocated corporate expenses			
-Employee benefits			(295,219)
-All other costs			(106,105)
Consolidated income before income tax			(1,046,525)
31 December 2016			
External revenue	337,067	1,152,154	1,489,221
Other revenue	-	96,931	96,931
Interest income	-	972	972
Interest expense	-	(19,915)	(19,915)
Depreciation and amortisation	-	(140,995)	(140,995)
Reportable segment profit before income tax	131,510	463,158	594,668
Unallocated corporate expenses			
-Employee benefits			(232,563)
-All other costs			(117,693)
Consolidated profit before income tax			(244,412)

3. SEGMENT INFORMATION (Continued)

	South-east Asia $	*Australia* $	*Total* $
31 December 2017			
Segment assets	317,293	1,854,882	2,172,175
Unallocated assets			-
Total assets			2,172,175
Segment liabilities	-	558,516	558,516
Unallocated liabilities			-
Total liabilities			558,516
Other material non-cash items:			
Impairment of quarry and reserve	-	739,572	739,572
Writing off capitalised exploration expense	-	179,566	179,566
Writing off property, plant and equipment	-	2,828	2,828
Capital expenditure	-	25,183	25,183
31 December 2016			
Segment assets	276,343	2,988,005	3,264,348
Unallocated assets			-
Total assets			3,264,348
Segment liabilities	2,190	601,974	604,164
Unallocated liabilities			-
Total liabilities			604,164
Other material non-cash items:			
Impairment loss	-	14,582	14,582
Capital expenditure	-	36,716	36,716

The revenue reported above represents revenue generated from external customers on the basis of geographical location of customer. There were no intersegment sales during the reporting periods.

Segment result represents the profit earned by each segment without allocation of corporate/administration cost and finance costs. All assets and liabilities are allocated to reportable segments on the basis of geographical location.

4. REVENUES AND EXPENSES

	CONSOLIDATED 2017 $	2016 $
(a) Other income		
Other interest income	900	972
Forfeiture of contractor's deposit held for rehabilitation	20,000	-
Freight Income	11,362	11,982
Gains from realisation of property, plant and equipment	17,910	
Refund from fuel tax credit	88,224	51,703
Trade Discount Received	1,539	-
Workers' compensation received	4,995	33,246
	144,930	97,903
(b) Expenses		
Depreciation of plant and equipment	80,282	116,690
Amortisation of quarry and resources	22,699	24,305
Quarry restoration provision	3,502	2,805
Impairment of receivables	-	14,582
Write-off property, plant and equipment	2,828	-
Write-off capitalised exploration expenses	179,566	-
(c) Finance costs		
Interest expense on financial liabilities at amortised cost:		
Other borrowings	2,119	10,574
Finance charges payable under finance leases	4,427	9,341
Total finance costs	6,546	19,915
(d) Employee benefits expense		
Wages and salaries	496,322	423,986
Workers' compensation costs	12,963	9,698
Superannuation costs	46,905	40,156
	556,190	473,840

(e) Significant Revenue & Expenses

Impairment of Quarry & Reserves

Deteriorating market conditions, the loss of a key self loading contractor in July 2017 and increased costs of production and our ongoing review of the sandstone business has resulted in a $739,572 (2016: $nil)impairment of the quarry and reserve asset for the period.

Impairment of quarry and reserves	739,572	-

5. INCOME TAX

	CONSOLIDATED	
	2017	2016
	$	$
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 2017 and 2016 is as follows:		
Accounting (loss)/profit before tax from continuing operations	(1,046,525)	244,412
At the statutory income tax rate of 27.5% (2016: 28.5%)	(287,794)	69,657
Non-deductible expenses	209,624	7,701
Net amount of temporary differences	1,915	5,719
Deferred tax assets not recognised	-	-
Unrecognised tax losses of prior years utilised	76,255	(83,077)
Income tax expense	-	-

Unrecognised temporary differences and tax losses

Unused tax losses and temporary differences for which no deferred tax asset has been recognised	5,022,837	4,745,547
Potential tax benefit @ 27.5% (2016:28.5%)	1,381,280	1,352,481

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise these benefits.

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	
	2017 $	2016 $
Net (loss)/profit attributable to equity holders from continuing operations	(1,046,525)	244,412
Weighted average number of ordinary shares for basic earnings per share	130,207,396	130,207,396

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	
	2017 $	2016 $
Declared and paid during the year	-	-
Proposed for approval at AGM (not recognised as a liability as at 31 December)	-	-
Franking credit balance	-	-

CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2017	2016
	$	$
Cash at bank and in hand	70,659	39,942

Cash at bank 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 flows is reconciled to the related items in the balance sheet as follows:

Cash at bank and in hand	70,659	39,942
Bank overdraft (note 15)	-	-
	70,659	39,942

Reconciliation of the (loss)/profit after tax to the net cash flows from operating activities		
Net (loss)/profit after tax	(1,046,525)	244,412
Depreciation	80,282	116,690
Amortisation	22,699	24,305
Gains on realisation of property, plant and equipment	(17,910)	
Loss on disposal of property, plant and equipment	2,829	-
Write-off capitalised exploration expenses	179,566	-
Impairment of quarry and reserves	739,572	-
Impairment provision – trade and other receivables	-	14,582
Changes in operating assets and liabilities		
(Increase)/decrease in inventories	125,711	71,918
(Increase)/decrease in trade and other receivables	5,029	(233,926)
(Increase)/decrease in prepayments and other assets	(13,809)	(2,304)
(Decrease)/increase in trade and other payables	(16,310)	28,995
(Decrease)/increase in provisions	19,455	24,445
Net cash from operating activities	80,589	289,117

Non-cash financing and investing activities

During the year the Group acquired plant to the value of $25,000 (2016: $nil), of which $ nil (2016: $ nil) is by way of finance lease.

9. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2017	2016
	$	$
Current		
Trade receivables	541,582	546,611
Less: Impairment provision	(114,595)	(114,595)
	426,987	432,016
Other receivables	-	-
	426,987	432,016

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

Included in current trade receivables are two substantial trade receivables amounting to $75,245 and $236,713 arising from sales in current and previous year. Both trade debtors are making repayment plans to settle the balance. The debt relating to Shenzhen Helidon Sandstone Ltd, as reported in the prior years, has been fully settled in February 2018. The balance at 31 December 2017 was $4,094 (2016: $8,284).

10. INVENTORIES

	CONSOLIDATED	
	2017	2016
	$	$
Finished goods – at cost	57,886	160,146
Stock – consumables and parts	-	23,451
	57,886	183,597

11. OTHER FINANCIAL ASSETS (NON-CURRENT)

Security deposits	74,907	74,011
	74,907	74,011

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

Included in deposits is an amount of $44,793 (2016: $44,793) lodged as security for bank guarantees.

12. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED			
	Quarry Land	Owned Plant & Equipment	Leased Plant & Equipment	Total
	$	$	$	$
Year ended 31 December 2017				
At 1 January 2017, net of Accumulated depreciation	141,042	268,527	62,208	471,777
Transfer	-	7,202	(7,202)	-
Addition		25,000	-	25,000
Disposal	-	(9,919)	-	(9,919)
Depreciation charge for the year	-	(63,780)	(16,502)	(80,282)
At 31 December 2017	141,042	227,030	38,504	406,576
At 31 December 2017				
Cost	141,042	3,297,562	185,000	3,623,604
Accumulated depreciation and impairment	-	(3,070,532)	(146,496)	(3,217,028)
Net carrying amount	141,042	227,030	38,504	406,576
Year ended 31 December 2016				
At 1 January 2016, net of accumulated depreciation	141,042	223,266	224,159	588,467
Transfer	--	135,290	(135,290)	-
Disposals	--	-	-	-
Depreciation charge for the year	--	(90,029)	(26,661)	(116,690)
Net carrying amount	141,042	268,527	62,208	471,777
At 31 December 2016				
Cost	141,042	3,562,203	221,818	3,925,063
Accumulated depreciation and impairment	--	(3,293,676)	(159,610)	(3,453,286)
Net carrying amount	141,042	268,257	62,208	471,777

The carrying value of plant and equipment held under finance leases at 31 December 2017 is $38,504 (2016: $62,208). Leased assets are pledged as security for the related finance lease liabilities.

13. QUARRY AND RESERVES

	CONSOLIDATED	
	2017 $	2016 $
Capitalised expenditure on acquisition, evaluation and development		
- at cost	4,836,999	4,836,999
Accumulated amortisation	(1,378,014)	(1,355,315)
Provision for impairment	(2,374,357)	(1,634,785)
Total Helidon Quarry and Reserves (a)	1,084,628	1,846,899
Net carrying amount at beginning of year	1,846,899	1,871,204
Impairment charged for the year	(739,572)	-
Amortisation charged for the year	(22,699)	(24,305)
	1,084,628	1,846,899

(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 renewed in 2012 and due to expire 2032;
Mining lease No. 50016 due to expire 31 July 2017; and
Mining lease No. 50213 due to expire 31 December 2019.

The renewal application for Mining lease No. 50016 has been submitted to Department of Natural Resources, Mines and Energy for processing.

Impairment of quarry and reserves

The impairment charge of $739,572 (2016: Nil) has been recognised in respect Quarry and reserves at 31 December 2017. This impairment arose due to deteriorating market conditions, the loss of a key self loading contractor in July 2017 and increased costs of production. The impairment loss is recognised in profit or loss in the Statement of profit or loss and other comprehensive income in Impairment of quarry and reserves.

With respect to cash flow projections for quarry and reserves, growth rates of 1.3% have been factored into the valuation model for the next five years on the basis of management's expectations regarding the Group's continued performance using the most recent three year average increased for CPI. Cash flow growth rates of 1.3% subsequent to this period have been used as this reflects an increase for CPI. Pre-tax discount rate of 13.52% has been used in the valuation model. Quarry and reserves are considered to be sensitive to these assumptions and are carried in the statement of financial position at a written-down value of $1,084,628.

13. QUARRY AND RESERVES (continued)

The following assumptions were used in value-in-use calculations:

	2017	2016
Growth Rate	1.3%	5%
Pre-Tax Discount Rate	13.52%	13.8%

Impact of possible changes in key assumptions

If the growth rate had been 0% (1.3% lower than managements estimates at 31 December 2017), the group would have had to recognise an impairment against the carrying amount of quarry and reserves of $804,491.

If the pre-tax discount rate applied to the cash flow projections had been 5% higher than management’s estimates (18.52% instead of 13.52%), the group would have had to recognise an impairment against quarry and reserves of $1,087,820.

If the group did not achieve the forecast results (based on the historical three year average) and their forecast cashflows were 5% less at 31 December 2017, the group would have had to recognise an impairment against quarry and reserves of $855,476.

The company also holds the following Exploration Permit for Minerals (included in Exploration and evaluation assets):

- EPM No. 11005 expired in March 2017, the company elected not to renew the EPM and all exploration and evaluation assets associated with this EPM were fully written off during the year; and
- EPM No.18112 is due to expire in February 2020.

14. TRADE AND OTHER PAYABLES (CURRENT)

	CONSOLIDATED	
	2017	2016
	$	$
Trade payables and accruals (unsecured)	315,270	331,580

15. BORROWINGS

	CONSOLIDATED	
	2017	2016
	$	$
C**current**		
Lease liabilities (note 20)	28,238	48,793
	28,238	48,793
Non-current		
Lease liabilities (note 20)	-	28,238
	-	28,238

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

Total facilities:		
– bank overdraft	200,000	200,000
– other loans, finance leases/HP	28,238	77,031
	228,238	277,031
Facilities used at reporting date		
– bank overdraft	-	-
– other loans, finance leases/HP	28,238	77,031
	28,238	77,031
Facilities unused at reporting date		
– bank overdraft	200,000	200,000
– other loans, finance leases/HP	-	-
	200,000	200,000

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 $1,084,628 (2016: $1,846,999). .

The lease liabilities are secured by charges over the assets subject to the liability.

16. PROVISIONS

	CONSOLIDATED		
	Quarry restoration	**Employee benefits**	**Total**
	$	$	$
At 1 January 2017	156,555	38,998	195,553
Arising during the year	3,502	15,953	19,455
Utilised/written back	-	-	-
At 31 December 2017	160,057	54,951	215,008
Current 2017	-	54,951	54,951
Non-current 2017	160,057	-	160,057
	160,057	54,951	215,008
Current 2016	-	38,998	38,998
Non-current 2016	156,555	-	156,555
	156,555	38,998	195,553

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

17. ISSUED CAPITAL

	2017 $	2016 $
Ordinary shares		
Issued and fully paid	18,373,250	18,373,250

	2017	
Movement in ordinary shares on issue	*No.*	$
At 1 January	130,207,396	18,375,250
Movement in the year		
-New issue	-	-
-Cancelled	-	-
At 31 December	130,207,396	18,375,250

	2016	
Movement in ordinary shares on issue	*No.*	$
At 1 January	130,207,396	18,375,250
Movement in the year		
-New issue	-	-
-Cancelled	-	-
At 31 December	130,207,396	18,375,250

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.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, receivables, trade payables, borrowings and finance leases.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The Group has 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 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 a relatively small 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; and
- The specialised nature of the industry and markets in which ChongHerr operates.

The fair values of the Group's financial assets and liabilities approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form.

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 Group's trade receivables from customers and other receivables.

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 Group's export products are sold on an Free On Board ("FOB") basis with 90 day terms, and normally collateral is not required in respect of trade and other receivables.

Where necessary the Group establishes 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. The credit risk of the group is now concentrated on two large trade receivables, arising from the current and previous year export sales: $75,245 (2016: $134,897) and $236,712 (2016: $133,161) at the balance date. While the receivables are overdue, the directors consider the balance is fully recoverable as regular instalment payments has been received from the two debtors. These balance are past due but not impaired.

The balance due from Shenzen Helidon Sandstone Ltd was $4,094 (2016: $8,284) at 31 December 2017 but fully settled in February 2018. Other debtors that were past due and not impaired at 31 December 2017 stood at $6,766 (2016: Nil) at the balance date. The directors consider the balance is fully recoverable as regular instalment payments have been received.

At the balance date, total receivables past due but not impaired is $323,539 (2016: $306,730).

Liquidity risk

Liquidity risk is the risk that 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 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 and finance leases. The Group monitors cashflow from these sources, and the collection of trade receivables and payment of trade payables.

As outlined above the Group has a significant receivable accounts, 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 Group activities.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 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 Group believes 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 5% (2016: 13%) of the Group's liabilities are interest bearing (all fixed rate) with $nil (2016: $28,238) 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 Group's total equity through profitable trading and retention of profits. Capital management has also seen 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 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.

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	
	2017	2016
	$	$
Cash and cash equivalents	70,659	39,942
Trade and other receivables	426,987	432,016
Other financial assets	74,907	74,011
	572,553	545,969

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

	Carrying amount	
	2017	2016
	$	$
Australia	109,694	155,673
South-east Asia	317,293	276,343
	426,987	432,016

Comments on the exposure to credit risk for receivables at the reporting date, including the major customer, are detailed in Notes 9 and 18.

Impairment losses

The ageing of the Group's trade receivables at the reporting date was:

	Carrying amount 2016		**Carrying amount 2016**	
	Gross $	Impairment $	Gross $	Impairment $
Not past due 0-60 days	103,448	-	125,286	-
Not past due 60-90 days	65	-	9,151	-
Past due 90-120 days	550	-	11,651	-
Past due 121 days	437,519	(114,595)	400,523	(114,595)
	541,582	(114,595)	546,611	(114,595)

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

19. FINANCIAL INSTRUMENTS (continued)

The movement in the provision for impairment losses on receivables is:

	CONSOLIDATED	
	2017	2016
	$	$
At 1 January	114,595	100,013
Impairment loss recognised	-	14,582
Balance at 31 December	114,595	114,595

Liquidity risk

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

Consolidated 31 December 2017

	Carrying amount	Contract-ual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	$	$	$	$	$	$	$
Lease liabilities	28,238	29,015	29,015	-	-	-	-
Trade payables	315,270	315,270	315,270	-	-	-	-
Bank overdraft	-	-	-	-	-	-	-
	343,508	344,285	344,285	-	-	-	-

Consolidated 31 December 2016

	Carrying amount	Contract-ual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	$	$	$	$	$	$	$
Lease liabilities	77,031	82,234	28,350	24,869	29,015	-	-
Trade payables	331,580	331,580	328,494	3,086	-	-	-
Bank overdraft	-	-	-	-	-	-	-
	408,611	413,814	356,844	27,955	29,015	-	-

Currency risk

The Group has no exposure to foreign currency risk at balance date.

19. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

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

	Consolidated Carrying amount	
	2017	2016
	$	$
Fixed rate instruments		
Financial liabilities	(28,238)	(77,031)
	(28,238)	(77,031)
Variable rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	-

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss at 31 December 2017. Therefore a change in interest rates at the reporting date would not affect profit and loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rate at the reporting date would have increased (decreased) equity and profit and loss by $nil (2016:nil). This analysis assumes that all other variables remain constant.

Fair values

The fair values of Group's financial instruments approximate their carrying value.

20. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Group has no operating lease commitment at 31 December 2017.

Finance lease commitments

The Group has finance leases for various items of plant and machinery, with standard commercial terms and conditions.

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

	2017 Minimum payments $	**2016** Minimum Payments $
CONSOLIDATED		
Within one year	29,015	53,219
After one year but not more than five years	-	29,015
Total minimum lease payments	29,015	82,234
Less amounts representing finance charges	(777)	(5,203)
Present value of minimum lease payments	28,238	77,031

Contingencies

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

21. SUBSIDIAIRES

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 2017	% Equity interest 2016
Australian Sandstone Industries Pty Ltd	Australia	100	100

22. EVENTS AFTER THE BALANCE SHEET DATE

No 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 2017 $	CONSOLIDATED 2016 $
(a) Amounts received or due and receivable by Nexia Brisbane for:		
Audit or review of the financial reports of the entity	30,500	30,000
Other non-audit services in relation to the entity	-	-
	30,500	30,000

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)
Mr Shao Liu	Director (non-executive)

b) Remuneration

	CONSOLIDATED	
	2017	2016
	$	$
Short term employee benefits	52,308	54,452
Share based payments	-	-
Post employment benefits	4,732	4,787
	57,040	59,239

c) Loan to and from Directors

At 31 December 2016 loan due to Mr De Hui Liu was $6,262 (2016:$1,159). Other directors did not have any loan due to or from the company for both current and comparative period.

d) Option holdings of directors and key management personnel

No options were held at 31 December 2017 or 31 December 2016.

25. PARENT ENTITY DISCLOSURES

As at and throughout the financial year ending 31 December 2017 the parent company of the Group was ChongHerr Investments Ltd.

Commitments, Contingencies and Guarantees of the Parent Entity

The minimum committed expenditure for future periods of the Parent Entity is the same as those for the Consolidated Entity. Refer to Note 20 for details.

	2017	2016
Result of the parent entity	$	$
(Loss)/Profit for the period	(1,046,525)	244,412
Other comprehensive income	-	-
Total comprehensive (loss)/ income for the period	(1,046,525)	244,412
Financial position of parent entity at year end		
Current assets	591,454	677,667
Total assets	2,172,175	3,264,348
Current liabilities	398,459	419,371
Total liabilities	558,516	604,164
Total equity of the parent entity		
Share capital	18,373,250	18,373,250
Accumulated loss	(16,759,591)	(15,713,066)
Total equity	1,613,659	2,660,184

As at 31 December 2017 the parent entity had security deposit guarantees of $74,907 (2016: $74,011) with various entities.