ChongHerr

INVESTMENTS LTD

Annual Report 2019

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
Mr Shao Liu
Mr Wenpei Chen

Company Secretary
Ms Sophia Xiaoqing Kong

Registered Office

Lot 50 Goldmine Road
Helidon 4344
Email: info@chongherr.com.au
Website: www.chongherr.com.au

Bankers
Commonwealth Bank of Australia

Share Register
Link Market Services Ltd
Level 21, 10 Eagle Street
Brisbane QLD 4000
Telephone 1300 554 474
Facsimile 61-2-9287 0303

Auditors
Nexia Brisbane Audit Pty Ltd
Level 28, 10 Eagle Street
QLD 4000
Australia

ChongHerr Investments Ltd

ABN: 52 054 161 821

Annual Report

for the Year Ended 31 December 2019

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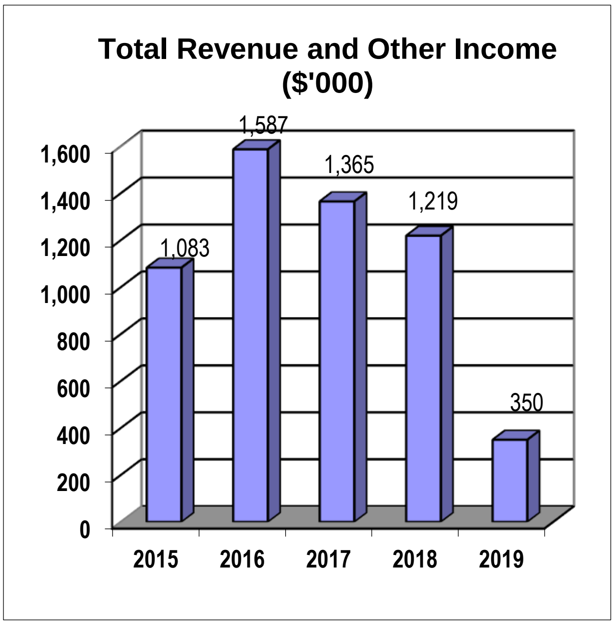
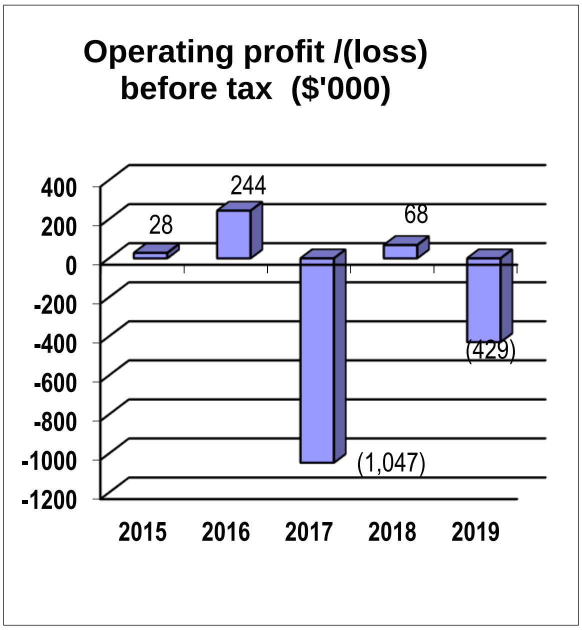
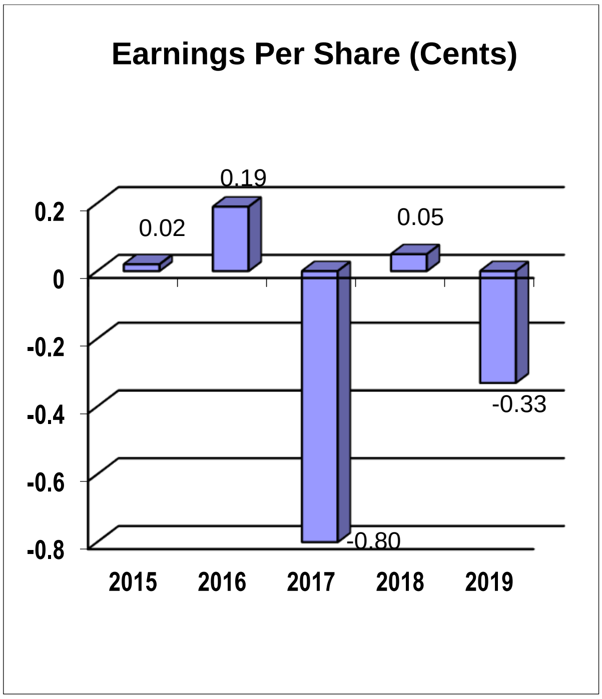
2019 Operating and Financial Highlights

	2019	2018	2017
Total Revenue and Other Income ($'000)	350	1,222	1,365
Operating profit/(loss) before tax ($'000)	(429)	68	(1,047)
Net Cash flow ($'000)	(120)	51	31
Borrowings ($'000)	0	0	28
Total Shareholders' funds ($'000)	1,252	1,681	1,614
Earning per share (cents)	(0.33)	0.05	(0.80)







Chairman's Review

It is my pleasure to present to you the Annual Report for the year ended 31 December 2019.

The operating result for the year is a net loss of $429,108.

Total sales for the periods recorded at $333,161, a decrease of 71% compared to $1,142,446 the previous year.

Sandstone blocks accounted for 50% of total sales, out of which 91% were exported and the remaining 9% was sold in the local market. The export sales, which accounted for 46% of the total sales, were all made to China.

In view of the current global economic slow down, the Company opted to slow down the pace of production while restructuring its human resources to better position the Group to achieve its strategy and to enhance the increase in shareholders' values.

My appreciation to all staff and management who had been working closely with the Board on the implementation of the Group's strategy.

We welcomed Mr Wenpei Chen to the Board on 20th December 2019. Mr Wenpei Chen brought his expertise from extensive operational, financial management and strategic experience built over the many years in senior executive roles as Chairman, Director and General Manager. We look forward to his contribution.

To my old fellow Board members, thank you for the counsel and insight in 2020.

To our loyal customers and shareholders, a big thank you for your continued support of the company.

Last but not least, I wish to put record of appreciation to the assistance rendered by the government agencies especially Department of Natural Resources, Mines and Energy and the Department of Environment and Science to ensure a safe and substainable operation during the year.

Best Regards,

Mr De Hui Liu
Chairman
ChongHerr Investments Ltd
31 March 2019
Brisbane, Australia

Quarry and Production

The quality of sandstone at the Montgomery Quarry continues to provide the company with the ability to produce all types of products including the highest quality export grade sandstone blocks.

Impacted by restructuring of human resources in operation, the production from Montgomery quarry during the year had declined to around 400 tons (2018: 1,600 tons) of quality blocks which were sold both in overseas and local markets, and 500 tons (2018:3,000 tons) of premium boulders which were sold in the local market.

With the newly recruited management to lead the team of operators, the group is expecting to gradually build its new foundation for better management and production to bring more economic benefits to its stakeholders in long term.

The group’s second Quarry, Zacks Quarry, also in the Helidon region, is currently not utilised for production and the directors’are considering sellingl this Quarry in the foreseeable future.

Overseas Market and Business Outlook

The nature of sandstone creates resilience and uniqueness that making itself a niche in the market and sandstone blocks that are processed into funishings for high end-buildings, also form themselves a segment with higher profit margin in the business. The group will thus continue to focus its production and sale of sandstone blocks.

After many of years of endless promotion in China, sandstone has become a well-accepted building material for architects, property developers and construction companies. Despite its export to China being adversely impacted by slow economy in the recent years, the company continues to maintain strong relationships with our existing and potential clients, ensuring export sales be maintained under the current economy. It is also believed that export will recover soon under the stringent economic policy being implemented by the Chinese government. The group is also exploring more sales opportunities in other overseas markets.

To increase the performance and a better utilisation of by-products, production will continue to cut the lower graded sandstone extracted into smaller boulders to be sold in the local market for construction and landscaping . The demand of boulder products is very strong and the group have historically received high volumes of orders from the local market for these products.

Your directors submit their report for the year ended 31 December 2019.

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 30 years experience in corporate management with particular strengths in investment, company restructuring, international trade and property development. Mr Liu was appointed to the Board on 7 October 1999. *Other listed company directorships in the previous three years* Nil
Mr Zhen Lu	Mr Lu has worked for many years in the building materials & construction industry in China. He brings to the Board over 30 years experience in civil engineering. Mr Lu was appointed to the Board on 19 August 2002. *Other listed company directorships in the previous three years* Nil
Ms Sophia Xiaoqing Kong (Company Secretary)	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 20 years professional and business management experience. Ms Kong was appointed Company Secretary in 8 July 2003. *Other listed company directorships in the previous three years* Nil
Mr Shao Liu	Mr Shao Liu has career experience in China and educational background in Australia, he is capable of establishing sustainable and profitable relationships with customers, suppliers and stakeholders across the world. He was appointed to the Board on 18 September 2013. *Other listed company directorships in the previous three years* Nil
Mr Wenpei Chen	Mr Wenpei Chen has extensive operational, financial management and strategic experience built over 35 years in senior executive as Chairman, Director and General Manager of several overseas companies. Over the years, Mr Chen had founded more than 40 enterprises overseas and had been awarded as "Top Ten Outstanding Youth Entrepreneur of Shenzhen Special Zone". He was appointed to the Board on 20 December 2019. *Other listed company directorships in the previous three years* Nil

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 Jan 2019	Movement	Balance 31 Dec 2019
Green Mountain Holdings Pty Ltd (i)	56,584,357	-	56,584,357
Mr De Hui Liu & Mrs Peijuan Zhuang (ii)	16,418,057	-	16,418,057
Mr De Hui Liu	4,180,000	-	4,180,000
Mr Zhen Lu	-	-	-
Ms Sophia Xiaoqing Kong	-	-	-
Mr Shao Liu	-	-	-
Mr Wenpei Chen	-	-	-

(i) Mr Liu is the shareholder in Green Mountain Holdings, holding 76.3% 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 and the late Mrs Zhuang are trustees.

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 throughout 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 Group was the quarrying of sandstone and the sale of sandstone blocks, primarily for 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 2019 was a loss of $429,108 (2018: profit $67,555).

Sales, totalling $333,161 in the year, a fall of 71% from previous year as result of halting production for a period of 6 months while the Group was undertaking human resources restructuring at the quarry.

The directors have not recommended the payment of any dividends for the year or since the year end. No dividends are declared in both the current and the comparative period.

4. REVIEW OF OPERATIONS

SANDSTONE QUARRYING & PRODUCTION

The Group has produced about 400 tons of quality export blocks and 500 tons premium boulders sold to the local market.

Other by-products ranging from crushed rocks to lower graded boulders of various sizes are supplied to domestic markets mainly for landscaping and retaining wall building.

EXPORT OF SANDSTONE BLOCKS

All export sales during the year were made to China totalling $153,182 which is down 13% from $175,997 in the previous period.

While China still remains the focus of the Group's sales opportunities, the Group is also exploring sales opportunities in other overseas markets.

QUARRY TENURE

The Group 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 2032)	Zacks	129
ML 50016 (expires in 2027)	Montgomery	40
ML 50213 (expires 2029)	Montgomery	36
Exploration permit EPM 18112 (expires 18 February 2020)	Montgomery and surrounding areas	2,400

FINANCIAL PERFORMANCE AND POSITION

The financial statements for the year record a loss of $429,108 and total assets of $1,784,457. The negative operating result in the year decreased the consolidated entity's net assets to $1,252,106 from the previous year of $1,681,214 .

Sales, totalling $333,161 in the year, a fall of of 71% from the previous year of $1,142,446. 46% of sales are exported overseas and the remaining 54% were sold to the local market.

An amount of $4,343 impairment expense related to long overdue debtors in the year of review (2108: nil)

The Group had negative cash flows of $119,795, cash outflows from operations of $111,560 for the year and a cash balance at balance date of $1,410 compared to the the previous year's balance of $121,205.

As disclosed in Note 23: Events after the Balance Sheet Date, to the Financial Statements, the impact of the COVID-19 pandemic on the Group cannot be reliably estimated at this stage. On 23 March 2020, the directors made a decision to suspend production at the Montgomery Quarry as a result of the COVID-19 pandemic until further notice.

The directors carefully monitor ChongHerr's financial performance and position. The ability of the Group to continue as a going concern is dependent upon:

- the financial support from the Managing Director to provide unsecured loans to fund its operations and corporate overhead costs;
- the ability of the Group to be able to obtain financial support under the COVID-19 Government stimulus packages;
- the ability of the Group to reopen the Quarry and resume production as soon as practical post the COVID-19 pandemic period;
- the ability of the Group to manage its creditors within available credit terms and working capital resources or renegotiate terms with those creditors as required;
- the abilty of the Group to realise its debtors; and
- the ongoing support of shareholders, financiers and other funding sources.

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 the Managing Director has undertaken to continue to provide unsecured loans to the Company to fund its operations where required. At reporting date, the Managing Director has provided funding to the Company as working capital, when required.

5. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than for the matters previously outlined in this report 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

On 11 March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The outbreak and measures taken in response are considered by the Group to be a non-adjusting event indicative of conditions that arose after the reporting period. As a result, economic uncertainties have arisen which are likely to negatively impact future cashflows, the fair value of financial assets and distribution chains. The Group sells Sandstone Blocks to the Chinese market. This may impact sales to this market.

On 23 March 2020, the directors made the decision to suspend production at the Montgomery Quarry until further notice as a result of the impact of the COVID-19 pandemic. The potential future impact of the economic effects of the COVID-19 pandemic on the Group cannot reasonably be estimated at this time. The financial statements have not been adjusted to reflect the impact of these current events.

No other matter 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. In the coming year the Group will maintain its focus on sales opportunities in China and South East Asia, and production/quarrying efficiencies. Demand for sandstone is expected to remain strong, although current world economic conditions make forecasts very difficult.

The Group 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.

The directors' have determined to sell the Zacks Quarry, however, the asset has not been reclassified to a Non-current Asset Held for Sale as the directors do not believe they meet the requirements of AASB 5 Non-current Assets Held for Sale and Discontinued Operations. The Zacks Quarry is not utilised for production.

8. ENVIRONMENTAL RESPONSIBILITIES

The Group'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 Group 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 - AUDITED

This report outlines the remuneration arrangements in place for the directors and key management personnel of ChongHerr Investments Ltd and the entities it controls (the Group).

Due to the size of the Group and composition of the Board, Chongerr Investments Ltd 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 Investments Ltd, the directors believe it is more efficient for the entire Board to deal with remuneration matters.

Remuneration Policy

The Group 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.

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 position.

No remuneration consultants were engaged during the year ended 31 December 2019.

Details of Directors and Key Management Personnel

Directors
Mr De Hui Liu (Chairman, Managing Director)
Mr Zhen Lu (Non-executive director)
Ms Sophia Xiaoqing Kong (Non-executive director)
Mr Shao Liu (Non-executive director)
Mr Wenpei Chen (Non-executive director)

Key Management Personnel (KMP)

Key management personnel are those directly accountable and responsible for the operational management and strategic direction of the Group. Apart from the directors identified above there are no other identified key management personnel.

Remuneration of Directors and Key Management Personnel – audited

	Short term employee benefits			**Post Employ ment**		**Long-term benefits**	**Total**
	Salary & Fees	Cash Bonus	Non-Monetary benefits	Superan-nuation	Termin-ation benefits	Long service leave	
	$	*$*	*$*	*$*	*$*	*$*	*$*
31 December 2019							
Mr De Hui Liu	54,038	-	-	4,231	-	-	58,269
Mr Zhen Lu	-	-	-	-	-	-	-
Ms Sophia Xiaoqing Kong	-	-	-	-	-	-	-
Mr Shao Liu	-	-	-	-	-	-	-
Mr Wenpei Chen	-	-	-	-	-	-	-
Total	54,038	-	-	4,231	-	-	58,269
31 December 2018							
Mr De Hui Liu	50,388	-	-	4,768	-	-	55,156
Mr Zhen Lu	-	-	-	-	-	-	-
Ms Xiaoqing Kong Sophia	-	-	-	-	-	-	-
Mr Shao Liu	-	-	-	-	-	-	-
Total	50,388	-	-	4,768	-	-	55,156

No share-based payments have been paid or accrued for any director or key management personnel in the year ended 31 December 2019 (2018: nil). For the year ended 31 December 2019 (2018: nil) no remuneration was performance based and no remuneration consisted of options.

Employment Contracts

The employment agreement in place for Mr De Hui 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).

No other director or KMP are employed under a contract.

Loan to and from Key Management Personnel

At 31 December 2019 the Group had amounts payable to Mr DeHui Liu totalling $8,249 (2018: $ 9,475). No other key management personnel had loans to or from the company.

Discussion of the Relationship between the Remuneration Policy and the Consolidated Entity's Performance

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

	2015	2016	2017	2018	2019
	$	$	$	$	$
Sales Revenue	1,038,984	1,489,221	1,220,431	1,142,446	333,161
Net result	27,707	244,412	(1,046,525)	67,555	(429,108)
Share Price at year end	0.006	0.009	0.007	0.004	0.013
Dividends	-	-	-	-	-
Total KMP Renumneration	46,499	59,239	57,040	55,156	58,269

Shares issued on exercise of compensation options

No shares were issued on the exercise of compensation options in the 2019 or 2018 financial years. There are currently no outstanding compensation options on issue.

Ordinary shares held in ChongHerr Investments Ltd

	Balance 1 Jan 2019	Movement	Balance 31 Dec 2019
Directors			
Green Mountain Holdings Pty Ltd (i)	56,584,357	-	56,584,357
Mr De Hui Liu & Mrs Peijuan Zhuang (ii)	16,418,057	-	16,418,057
Mr De Hui Liu	4,180,000	-	4,180,000
Mr Zhen Lu	-	-	-
Ms Sophia Xiaoqing Kong	-	-	-
Mr Shao Liu	-	-	-
Mr Wenpei Chen	-	-	-
Total	77,182,414	-	77,182,414

End of Remuneration Report – Audited

10. DIRECTORS' MEETINGS

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

	Directors' Meetings	
	No. of Meetings eligible to attend	Meetings attended
Mr De Hui Liu	4	4
Mr. Zhen Lu	4	4
Ms Sophia Xiaoqing Kong	4	4
Mr Shao Liu	4	4
Mr Wenpei Chen	0	0

Directors meet regularly on an informal basis throughout the year.

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

As the auditor, Nexia Brisbane Audit Pty Ltd, 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 2019.

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

Mr De Hui Liu
Managing Director
ChongHerr Investments Ltd
31 March 2020
Brisbane, Australia

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

To the Board of Directors of ChongHerr Investments Ltd

As lead auditor for the audit of the financial statements of ChongHerr Investments Ltd for the year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

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

Nexia Brisbane Audit Pty Ltd.

Nexia Brisbane Audit Pty Ltd

Robertson.

Ann-Maree Robertson
Director

Date: 31 March 2020

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CHONGHERR INVESTMENTS LTD ABN 52 054 161 821 AND CONTROLLED ENTITY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Consolidated Group	
		2019	2018
		$	$
Revenue			
Sale of goods		333,161	1,142,446
Cost of sales		(364,998)	(712,808)
Gross (loss)/profit		(31,837)	429,638
Other income	4	22,011	79,248
Selling and distribution expenses		(189,767)	(208,665)
Corporate and administration expenses		(219,203)	(230,318)
Impairment of trade receivables		(4,433)	-
Impairment of quarry and reserve		-	-
Finance costs	5	(7)	(777)
Other expenses	5	(5,872)	(1,571)
(Loss)/Profit before tax		(429,108)	67,555
Income tax expense	6	-	-
(Loss)/Profit after tax		(429,108)	67,555
Other Comprehensive Income, net of tax		-	-
Total Comprehensive (Loss)/Income		(429,108)	67,555
Earnings/(Loss) per share (cents per share)			
– basic earning per share	7	(0.33)	0.05

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

CHONGHERR INVESTMENTS LTD ABN 52 054 161 821 AND CONTROLLED ENTITY

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Consolidated Group		
	Issued Capital $	Accumulated Losses $	Total Equity $
At 1 January 2018	18,373,250	(16,759,591)	1,613,659
Comprehensive income for the year:			
Profit for the year	-	67,555	67,555
Other comprehensive income	-	-	-
Total comprehensive profit for the year	-	67,555	67,555
At 31 December 2018	18,373,250	(16,692,036)	1,681,214
Comprehensive income for the year:			
Loss for the year	-	(429,108)	(429,108)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(429,108)	(429,108)
At 31 December 2019	18,373,250	(17,121,144)	1,252,106

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

CHONGHERR INVESTMENTS LTD ABN 52 054 161 821 AND CONTROLLED ENTITY

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	Consolidated Group	
		2019	2018
		$	$
ASSETS			
Current Assets			
Cash and cash equivalents	9	1,410	121,205
Trade and other receivables	10	89,295	293,263
Inventories	11	85,751	117,306
Prepayments		23,291	22,995
Total Current Assets		199,747	554,769
Non-current Assets			
Other financial assets	12	173,095	219,789
Property, plant and equipment	13	352,611	349,251
Quarry and reserves	14	1,044,393	1,050,884
Exploration & evaluation assets		14,611	14,611
Total Non-current Assets		1,584,710	1,634,535
TOTAL ASSETS		1,784,457	2,189,304
LIABILITIES			
Current Liabilities			
Trade and other payables	15	321,043	290,304
Provisions	16	43,437	54,756
Total Current Liabilities		364,480	345,060
Non-current Liabilities			
Provisions	16	167,871	163,030
Total Non-current Liabilities		167,871	163,030
TOTAL LIABILITIES		532,351	508,090
NET ASSETS		1,252,106	1,681,214
EQUITY			
Issued capital	17	18,373,250	18,373,250
Accumulated losses		(17,121,144)	(16,692,036)
TOTAL EQUITY		1,252,106	1,681,214

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

CHONGHERR INVESTMENTS LTD ABN 52 054 161 821 AND CONTROLLED ENTITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Consolidated Group	
		2019	2018
		$	$
Cash flows from operating activities			
Receipts from customers		551,753	1,381,868
Payments to suppliers and employees		(685,265)	(1,227,698)
Finance costs		(7)	(777)
Interest received		5,387	778
Receipts from fuel credit refund		16,572	70,311
Net cash flows from operating activities	9	(111,560)	224,482
Cash flows from investing activities			
Payments for plant and equipment		(54,929)	(816)
Investments used in other financial assets		(4,324)	(144,882)
Proceeds from other financial assets		51,018	
Net cash flows used in investing activities		(8,235)	(145,698)
Cash flows from financing activities			
Repayment of finance lease liabilities		-	(28,238)
Net cash flows used in financing activities		-	(28,238)
Net (decrease)increase in cash and cash equivalents		(119,795)	50,546
Cash and cash equivalents at beginning of period		121,205	70,659
Cash and cash equivalents at end of period	9	1,410	121,205

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 2019 were authorised for issue in accordance with a resolution of the directors on 28 February 2020. The financial statements cover the consolidated entity of ChongHerr Investments Ltd and its controlled entities.

The separate financial statements of the parent entity, ChongHerr Investments Ltd, have not been presented within this financial report as permitted by the Corporations Act 2001.

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

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Going Concern

The Group incurred a loss of $429,108 (2018: profit of $67,555) for the year ended 31 December 2019. As at 31 December 2019 the Group has net cash reserves of $1,410 (2018: $121,205), a net current asset deficiency of $164,733 (2018: net current assets $209,709) and net asset surplus of $1,252,106 (2018: $1,681,214). The Group went through a period of Quarry closure during the financial year ended 31 December 2019 due to Human Resources Restructuring and business interruptions due to maintenance.

There is one major overseas customer from China with a balance of $73,192 past due at the end of the financial year. The directors believe the balance of the debts are recoverable and payments have been received since balance date.

As disclosed in Note 23: Events after the Balance Sheet Date, the impact of the COVID-19 pandemic on the Group cannot be reliably estimated at this stage. On 23 March 2020, the directors made a decision to suspend production at the Montgomery Quarry as a result of the COVID-19 pandemic until further notice.

The directors carefully monitor ChongHerr’s financial performance and position. The ability of the Group to continue as a going concern is dependent upon:

- the financial support from the Managing Director to provide unsecured loans to fund its operations and corporate overhead costs;
- the ability of the Group to be able to obtain financial support under the COVID-19 Government stimulus packages;
- the ability of the Group to reopen the Quarry and resume production as soon as practical post the COVID-19 pandemic period;
- the ability of the Group to manage its creditors within available credit terms and working capital resources or renegotiate terms with those creditors as required;
- the ability of the Group to realise its debtors; and
- the ongoing support of shareholders, financiers and other funding sources.

The directors believe that the going concern basis of preparation is appropriate due to the justification that the directors closely monitor and adjust the Group’s cash flow projections and working capital position and the Managing Director has undertaken to continue to provide unsecured loans to the Company to fund its operations and corporate overheads. At reporting date, the Managing Director has provided funding to the Company as working capital, when required.

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 realised may 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.

a) 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.

There were no new, revised or amended Accounting Standards and Interpretations issued by the AASB that had an impact on the financial report.

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2019. The Group has assessed the impact of these new or amended Accounting Standards and Interpretations and determined they will have no impact.

b) Principles 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 represent 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

h) Impairment

Impairment – Non-financial Assets

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

k) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

l) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard. Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

o) Financial Instruments

Initial recognition and measurement

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

Financial instruments (except for trade receivables) 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 profit or loss

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

Financial assets are subsequently measured at:

- Amortised cost;
- Fair value through other comprehensive income; or
- Fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- The contractual cash flow characteristics of the financial asset; and
- The business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

the financial asset is managed solely to collect contractual cash flows; and

the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the group could measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the simplified approach to impairment, as applicable under AASB 9: Financial Instruments. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to trade receivables or contract assets that result from transactions within the scope of AASB 15: Revenue from Contracts with Customers.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (ie diversity of customer base, appropriate groupings of historical loss experience, etc).

Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Derecognition

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the group no longer controls the asset.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Revenue and other income

Revenue recognition

Sale of sandstone

The group sells sandstone products. Revenue is recognised when control of the products has transferred to the customer. For such transactions this is dependent on the geographical segment within which the customer resides. For customers within Australia, revenue is recognised at a point in time when a product is sold to the customer. For customers within the South-east Asia segment, revenue is recognised when the products are delivered to the customer at a point in time. Revenue from sales is based on the price stipulated in the contract.

A receivable is recognised when the goods are delivered. The Group's right to consideration is deemed unconditional at this time, as only the passage of time is required before payment of that consideration is due. There is no significant financing component because sales are made within a credit term of 30 to 90 days.

Performance obligations

Information about the Groups performance obligations are summarised below.

Australian geographical segment

The performance obligation is satisfied upon sale of the product and payment is generally due within 30 to 90 days.

South-east Asia geographical segment

The performance obligation is satisfied upon delivery of the product and payment is generally due within 30 to 90 days.

Other Income

Interest income

Interest income is recognised using the effective interest method.

Fuel Credit Refund

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) 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.

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.

r) Goods and services tax (GST)

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Comparatives

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

t) Parent entity financial information

The financial information for the parent entity, Chongherr Investments Ltd, disclosed in Note 26 has been prepared on the same basis as the consolidated financial statements, except as set out below:

Investments in subsidiaries

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

u) 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 the 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 the Montgomery 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 rates disclosed in Note 14: Quarry and Reserves.

The fair value of the Zacks quarry and reserves has been assessed by the Directors as approximating its carrying value at 31 December 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision for restoration

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. Management have determined the provision for impairment is appropriate using the expected credit losses model.

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 $1,584,710 (2018: $1,634,535) and the total of these non-current assets located in other countries is nil (2018: 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 2019			
External revenue	153,182	179,979	333,161
Other revenue	-	16,844	16,844
Interest income	-	5,167	5,167
Interest expense	-	(7)	(7)
Depreciation and amortisation	-	(58,060)	(58,060)
Reportable segment loss before income tax	(17,346)	(21,560)	(38,906)
Unallocated corporate expenses			
-Employee benefits			(300,645)
-All other costs			(89,557)
Consolidated loss before income tax			(429,108)
31 December 2018			
External revenue	175,997	966,449	1,142,446
Other revenue	-	76,496	76,496
Interest income	-	2,752	2,752
Interest expense	-	(777)	(777)
Depreciation and amortisation	-	(92,156)	(92,156)
Reportable segment profit before income tax	66,792	397,778	464,570
Unallocated corporate expenses			
-Employee benefits			(298,910)
-All other costs			(98,105)
Consolidated profit before income tax			67,555

3. SEGMENT INFORMATION (continued)

	South-east Asia $	*Australia* $	*Total* $
31 December 2019			
Segment assets	83,367	1,701,090	1,784,457
Unallocated assets			-
Total assets			1,784,457
Segment liabilities	-	532,351	532,351
Unallocated liabilities			-
Total liabilities			532,351
Other material non-cash items:			
	-	-	-
Capital expenditure	-	54,929	54,929
31 December 2018			
Segment assets	199,847	1,989,457	2,189,304
Unallocated assets			-
Total assets			2,189,304
Segment liabilities	-	508,090	508,090
Unallocated liabilities			-
Total liabilities			508,090
Other material non-cash items:			
	-	-	-
Capital expenditure	-	816	816

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. REVENUE & OTHER INCOME

	Consolidated Group	
	2019	2018
	$	$
Revenue from contracts with customers		
Disaggregated revenue information		
Set out below is the disaggregation of the Group's revenue from contracts with customers		
Sale of sandstone products	333,161	1,142,466
Total revenue from contracts with customers	333,161	1,142,466
Geographical markets		
Australia	153,182	966,449
South-east Asia	179,979	175,997
Total revenue from contracts with customers	333,161	1,142,466
Timing of revenue recognition		
Goods transferred at a point in time	333,161	1,142,466
Total revenue from contracts with customers	333,161	1,142,466

(a) Other income

Other interest income	5,167	2,752
Freight Income	272	6,185
Refund from fuel tax credit	16,572	70,311
	22,011	79,248

5. PROFIT OR LOSS

	Consolidated Group	
	2019	2018
	$	$
(a) Expenses		
Depreciation of plant and equipment	51,569	58,141
Amortisation of quarry and resources	6,491	34,015
Quarry restoration expenses	4,841	2,973
Loss allowance	4,433	-
(b) Finance costs		
Interest expense on financial liabilities at amortised cost:		
Other borrowings	7	1
Finance charges payable under finance leases	-	776
Total finance costs	7	777
(c) Employee benefits expense		
Wages and salaries	318,248	469,863
Workers' compensation costs	10,864	14,269
Superannuation costs	30,234	44,408
Provision for annual leave	(15,549)	(4,427)
	343,797	524,113

(d) Significant Expenses

There were no significant expenses for both current and comparative period.

6. INCOME TAX

	Consolidated Group	
	2019	2018
	$	$

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 2019 and 2018 is as follows:

Accounting (loss)/profit before tax from continuing operations	(429,108)	67,555
At the statutory income tax rate of 27.5%	(118,005)	18,578
Non-deductible expenses	1,820	9,454
Net amount of temporary differences	(30,948)	3,227
Deferred tax losses not recognised	147,133	-
Recoupment of prior year tax losses not previously brought to account	-	(31,259)
Income tax expense	-	-

Unrecognised temporary differences and tax losses

Unused tax losses and temporary differences for which no deferred tax asset has been recognised	5,444,196	4,909,168
Potential tax benefit @ 27.5%	1,497,154	1,350,021

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.

7. 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 Group	
	2019 $	2018 $
Net (loss)/profit attributable to equity holders from continuing operations	(429,108)	67,555
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.

8. DIVIDENDS PAID AND PROPOSED

	Consolidated Group	
	2019 $	2018 $
Declared and paid during the year	-	-
Proposed for approval at AGM (not recognised as a liability as at 31 December)	-	-
Franking credit balance	-	-

9. CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2019	2018
	$	$
Cash at bank and in hand	1,410	121,205

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 20.

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:

	2019	2018
Cash at bank and in hand	1,410	121,205
	1,410	121,205

	2019	2018
Reconciliation of the (loss)/profit after tax to the net cash flows from operating activities		
Net profit/(loss) after tax	(429,108)	67,555
Depreciation	51,569	58,141
Amortisation	6,491	34,015
Impairment provision of trade receivables	4,433	-
Changes in operating assets and liabilities		
Decrease/(Increase) in inventories	31,555	(59,420)
Decrease in trade and other receivables	199,535	133,454
(Increase)/Decrease in prepayments	(296)	12,926
Increase/(Decrease) in trade and other payables	30,739	(24,966)
Increase/(decrease) in provisions	(6,478)	2,777
Net cash (used in)/from operating activities	(111,560)	224,482

Non-cash financing and investing activities

During the year the Group acquired equipment at a cost of $54,929 (2018: $816), of which $ nil (2018: $ nil) is by way of finance lease.

10. TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2019 $	2018 $
Current		
Trade receivables	91,400	405,630
Less: provision for expected losses	(4,838)	(114,595)
	86,562	291,035
Other receivables	2,733	2,228
	89,295	293,263

The Group's exposure to credit and currency risks and impairment losses related to trade receivables are disclosed in note 20.

Included in current trade receivables is a substantial trade receivable amounting to $73,192 arose from sales in current year. The two substantial trade receivables past overdue that were reported in the previous year had their balances reduced to $7,749 (2018: $236,713) and $2,426 (2018: $75,245) respectively at the balance date. All the three trade debtors are making payments to settle the balance.

11. INVENTORIES

	Consolidated Group	
	2019 $	2018 $
Finished goods – at cost	85,751	117,306
	85,751	117,306

12. OTHER FINANCIAL ASSETS (NON-CURRENT)

Security deposits	173,095	219,789
	173,095	219,789

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

Included in deposits is an amount of $143,771 (2018: $44,793) lodged as security for bank guarantees.

13. PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group			
	Quarry Land	Owned Plant & Equipment	Leased Plant & Equipment	Total
	$	$	$	$
Year ended 31 December 2019				
At 1 January 2019, net of Accumulated depreciation	141,042	208,209	-	349,251
Transfer	-	-	-	-
Addition		54,929	-	54,929
Depreciation charge for the year	-	(51,569)	-	(51,569)
At 31 December 2019	141,042	211,569	-	352,611
At 31 December 2019				
Cost	141,042	3,483,379	-	3,624,421
Addition	-	54,929		54,929
Accumulated depreciation and impairment	-	(3,326,739)	-	(3,326,739)
Net carrying amount	141,042	211,569	-	352,611
Year ended 31 December 2018				
At 1 January 2018, net of accumulated depreciation	141,042	227,030	38,504	406,576
Transfer	-	38,504	(38,504)	-
Disposals	-	816	-	816
Depreciation charge for the year	-	(58,141)	-	(58,141)
Net carrying amount	141,042	208,209	-	349,251
At 31 December 2018				
Cost	141,042	3,483,378	-	3,623,604
Accumulated depreciation and impairment	-	(3,275,169)	-	(3,275,169)
Net carrying amount	141,042	208,209	-	349,251

The carrying value of plant and equipment held under finance leases at 31 December 2019 $nil (2018: $nil).

14. QUARRY AND RESERVES

	Consolidated Group	
	2019	2018
	$	$
Capitalised expenditure on acquisition, evaluation and development – at cost		
Montgomery Quarry	2,100,086	2,100,086
Zacks Quarry	2,736,913	2,736,913
	4,836,999	4,836,999
Accumulated amortisation – Montgomery Quarry	(1,418,249)	(1,411,758)
Provision for impairment – Montgomery Quarry	(369,786)	(369,786)
Provision for impairment – Zacks Quarry	(2,004,571)	(2,004,571)
Total Helidon Quarry and Reserves (a)	1,044,393	1,050,884
Net carrying amount at beginning of year	1,050,884	1,084,899
Impairment charge for the year	-	-
Amortisation charge for the year	(6,491)	(34,015)
	1,044,393	1,050,884
Quarry and reserves carrying value		
Montgomery Quarry and Reserves (b)	312,051	318,542
Zacks Quarry and Reserves (b)	732,342	732,342
	1,044,393	1,050,884

(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 expires in 2032;
- Mining lease No. 50016 expires on 31 July 2027; and
- Mining lease No. 50213 expires 31 December 2029.

14. QUARRY AND RESERVES (continued)

(b) Impairment

The Montgomery quarry and reserves are allocated to the Montgomery Quarry cash-generating unit. The Zacks quarry and reserves are not currently used in production so they are not allocated to a cash-generating unit.

The directors' are considering selling the Zack's Quarry, however, the asset has not been reclassified to a Non-current Asset Held for Sale as the directors do not believe they meet the requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations.* The directors' consider the carrying value of the Zacks quarry and reserves approximates its fair value which is based on the most recent 2017 directors' valuation. The directors are of the opinion that the 2017 valuation remains appropriate. The directors do not believe that there has been a material movement in fair value since the valuation date.

The Montgomery Quarry cash-generating unit is allocated across both geographical segments. The Quarry is located in Australia, however, income is generated in Asia and Australia. No impairment (Impairment charge 2018: $nil) has been recognised in respect of Quarry and reserves for the period ended 31 December 2019.

The recoverable amount of the Montgomery Quarry cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on 2020 financial budgets approved by the Board, external forecasts of market growth rates and expected operating margins and capital expenditure. The growth rate does not exceed the long-term average growth rate for the industry in which the Group operates.

Key assumptions used for value-in-use calculations

The value-in-use calculations require the use of the assumptions detailed below.

	Growth Rate		**Discount Rate**	
	2019	2018	2019	2018
	%	%	%	%
Quarry and Reserves	1.3	1.3	10.7	11.7

With respect to cash flow projections for the Montgomery Quarry cash-generating unit, 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 forecast sales price of the Group's product. Cash flow growth rates of 1.3% subsequent to this period have been used reflecting a steady growth rate after the forecast period. Pre-tax discount rate of 10.7% has been used in the valuation model. The Montgomery Quarry cash-generating unit is considered to be sensitive to these assumptions and the portion of Quarry and reserves relating to the Montgomery Quarry is carried in the statement of financial position at a written-down value of $312,051 (2018: $318,542).

14. QUARRY AND RESERVES (continued)

Impact of possible changes in key assumptions
The values assigned to the key assumptions are based on management's assessment of future performance with reference to historical experience, future estimates and internal and external factors. The estimated recoverable amounts are highly sensitive to changes in key assumptions.

While the estimated recoverable amount is greater than the carrying values at 31 December 2019, adverse changes in certain key assumptions would result in an impairment of the Montgomery Quarry cash-generating unit Quarry and Reserves as set out below. While it is difficult to predict, loss of our key overseas market in China could potentially result a reduction in cashflows for the Group of approximately 72%.

Impairment Charge Pre-tax

	Changes to Assumptions			
	Market Growth Rate[1]	Lower cash flows	Lower cash flows	Discount rate
	- 1.3%	- 10%	- 72%	+ 5%
Quarry and Reserves	-	-	107,424	-

1. This assumes a zero% growth rate.

As outlined in Note 23 Events after the Balance Sheet Date, the impact of the economic effects of the COVID-19 pandemic on the Group cannot be assessed at this stage.

The company also holds the Exploration Permit for Minerals, EPM No.18112, which is due to expire in February 2020 (included in Exploration and evaluation assets). Owing to the unfavourable Queensland Environmental Offset Policy introduced in the recent years, the group has not taken any initiative to renew its tenure. In the event the Group elects not to renew its tenure over EPM No.18112 a write down of $14, 611 will be incurred.

15. TRADE AND OTHER PAYABLES

	Consolidated Group	
	2019	2018
	$	$
Trade payables and accruals (unsecured)	321,043	290,304

16. PROVISIONS

	Consolidated Group		
	Quarry restoration	**Employee benefits**	**Total**
	$	$	$
At 1 January 2019	163,030	54,756	217,786
Utilised during the year	-	(18,781)	(18,781)
Arising during the year	4,841	7,462	12,303
At 31 December 2019	167,871	43,437	211,308
Current 2019	-	43,437	43,437
Non-current 2019	167,871	-	167,871
	167,871	43,437	211,308
Current 2018	-	54,756	54,756
Non-current 2018	163,030	-	163,030
	163,030	54,756	217,786

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

	2019	2018
	$	$
Ordinary shares		
Issued and fully paid	18,373,250	18,373,250

	2018	
Movement in ordinary shares on issue	No.	$
At 1 January	130,207,396	18,373,250
Movement in the year	-	-
At 31 December	130,207,396	18,373,250

	2017	
Movement in ordinary shares on issue	No.	$
At 1 January	130,207,396	18,373,250
Movement in the year	-	-
At 31 December	130,207,396	18,373,250

17. ISSUED CAPITAL (continued)

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.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

The Group’s export products are sold on a 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 a provision for expected credit losses that represents its estimate of incurred losses in respect of trade and other receivables over the life of the asset.

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 a large trade receivable arose from export sales in the current year with a balance of $73,192 at the balance date. The other two overdue trade receivables reported in the previous year had significantly reduced their balances to $2,426 (2018: $ 145,113) and 7,749 (2018: $54,734) respectively 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 debtors. The directors have a provision for expected credit losses which incorporates the above balances.

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 none (2018: nil) of the Group's liabilities are interest bearing – see notes 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	
	2019	2018
	$	$
Cash and cash equivalents	1,410	121,205
Trade and other receivables	89,295	293,263
Other financial assets	173,095	219,789
	263,800	634,038

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

	Carrying amount	
	2019	2018
	$	$
Australia	8,033	91,188
South-east Asia	78,529	199,847
	86,562	291,035

Comments on the exposure to credit risk for receivables at the reporting date, including the major customer, are detailed in Notes 10 and 18.

Impairment losses

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

	Carrying amount 2019		Carrying amount 2018	
	Gross $	Impairment $	Gross $	Impairment $
Not past due 0-60 days	3,916		91,384	-
Not past due 60-90 days	-	-	-	-
Past due 90-120 days	-	-	-	-
Past due 121 days	87,484	(4,838)	314,246	(114,595)
	91,400	(4,838)	405,630	(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 allowance for expected credit losses on trade receivables is:

	Consolidated Group	
	2019	2018
	$	$
At 1 January	114,595	114,595
Bad debts written off	114,190	-
Provision for expected credit losses	4,433	-
Balance at 31 December	4,838	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 2019

	Carrying amount	Contract-ual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	$	$	$	$	$	$	$
Trade payables	321,043	321,043	321,043	-	-	-	-
	321,043	321,043	321,043	-	-	-	-

Consolidated 31 December 2018

	Carrying amount	Contract-ual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	$	$	$	$	$	$	$
Trade payables	290,304	290,304	290,304	-	-	-	-
	290,304	290,304	290,304	-	-	-	-

Currency risk

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

Interest rate risk

The Group had no interest bearing financial instruments at balance date.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial instruments at fair value through profit or loss at 31 December 2019. 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 (2018: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

The Group has no operating or finance lease commitments at 31 December 2019.

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

21. SUBSIDIARIES

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

		% Equity interest	
Name	**Country of incorporation**	**2019**	**2018**
Australian Sandstone Industries Pty Ltd	Australia	100	100

22. AUDITORS' REMUNERATION

	Consolidated Group	
	2019	2018
	$	$
Amounts received or due and receivable by Nexia Brisbane Audit Pty Ltd for:		
Audit or review of the financial reports of the entity	31,000	31,000
	31,000	31,000

23. EVENTS AFTER THE BALANCE SHEET DATE

On 11 March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The outbreak and measures taken in response are considered by the Group to be a non-adjusting event indicative of conditions that arose after the reporting period. As a result, economic uncertainties have arisen which are likely to negatively impact future cashflows, the fair value of financial assets and distribution chains. The Group sells Sandstone Blocks to the Chinese market. This may impact sales to this market.

On 23 March 2020, the directors made the decision to suspend production at the Montgomery Quarry until further notice as a result of the impact of the COVID-19 pandemic. The potential future impact of the economic effects of the COVID-19 pandemic on the Group cannot reasonably be estimated at this time. The financial statements have not been adjusted to reflect the impact of these current events.

No other matter 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.

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)
Mr Wenpei Chen	Director (non-executive)

	Consolidated Group	
	2019	2018
b) Remuneration	$	$
Short term employee benefits	54,038	50,388
Post employment benefits	4,231	4,768
	58,269	55,156

c) Loan to and from directors

At 31 December 2019 loan due to Mr De Hui Liu was $8,249 (2018: $9,475). 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 2019 or 31 December 2018.

25. FAIR VALUE MEASUREMENT

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability.

	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Consolidated 31 December 2019				
Zacks Quarry & Reserves	-	-	732,342	732,342
Consolidated 31 December 2018	-	-	-	-

There are no assets and liabilities classified as held for sale and there were no transfers between levels during the financial year. The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Valuation techniques for fair value measurements categorised within level 3

The basis for the valuation of the Zack's quarry and reserves was a 2017 directors' valuation which was which was based on managements' assessment of future performance with reference to historical experience, future estimates, internal and external factors. The directors do not believe that there has been a material movement in fair value since the valuation date. The directors believe the carrying value approximates its fair value. The Zacks Quarry was not considered a level 3 asset in the prior financial year.

26. PARENT ENTITY DISCLOSURES

As at and throughout the financial year ending 31 December 2019 the parent company of the Group was ChongHerr Investments Ltd.

	Company	
	2019	2018
Result of the parent entity	$	$
(Loss)/Profit for the period	(429,108)	67,555
Other comprehensive income	-	-
Total comprehensive (loss)/income for the period	(429,108)	67,555
Financial position of parent entity at year end		
Current assets	197,992	554,769
Total assets	1,784,457	2,189,304
Current liabilities	364,480	345,060
Total liabilities	532,351	508,090
Total equity of the parent entity		
Share capital	18,373,250	18,373,250
Accumulated loss	(17,121,144)	(16,692,036)
Total equity	1,252,106	1,681,214

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.

As at 31 December 2019 the parent entity had security deposit guarantees of $174,850 (2018: $219,789) with various entities.

Directors' Declaration

The directors of the company declare that:

1. The financial statements, comprising the statement of profit or loss and comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:
   a) comply with Accounting Standards and the *Corporations Regulations 2001*; and
   b) give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the year ended on that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included in pages 9 to 11 of the directors' report (as part of audited Remuneration Report), for the year ended 31 December 2019, comply with section 300A of the *Corporations Act 2001*.
5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Mr De Hui Liu
Managing Director
ChongHerr Investments Ltd
31 March 2020

Nexia Australia

Independent Auditor's Report to the Members of ChongHerr Investments Ltd

Report on the Audit of the Financial Report

Qualified Opinion

We have audited the financial report of ChongHerr Investments Ltd (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' Declaration.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the year then ended; and

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

Basis for qualified opinion

As detailed in note 14 of the financial statements, the Zack's Quarry and Reserves has a carrying value of $732,342 in the consolidated statement of financial position as at 31 December 2019. As outlined in note 14(b) the directors are of the opinion that the carrying value of Zack's Quarry and Reserves approximates its fair value. The carrying value is based on the most recent 2017 directors' valuation which was based on managements' assessment of future performance with reference to historical experience, future estimates, internal and external factors. This asset does not form part of the directors' impairment assessment at 31 December 2019. As outlined in note 14 (b) and note 25 of the financial statements, the directors are of the opinion that their 2017 valuation remains appropriate.

Our audit opinion is limited in respect of our ability to ascertain the fair value of this asset without a formal valuation and we were unable to obtain sufficient appropriate audit evidence at 31 December 2019 to support the directors' valuation. The evidence available to us was limited and consequently our audit procedures in respect of Zack's Quarry and Reserves were restricted. We are therefore unable to express an opinion on the carrying value or the recoverability of Zack's Quarry and Reserves at 31 December 2019 as we were unable to determine whether any adjustment to the carrying amount was necessary.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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Independent Auditor's Report to the Members of ChongHerr Investments Ltd (continued)

Material uncertainty related to going concern

We draw attention to note 2 in the financial report, which indicates that the ability of the Group to continue as a going concern is dependent upon the ability of the Group to meet its forecast revenue and manage its working capital. These conditions, along with other matters as set out in note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Other matter

We draw attention to note 23 in the financial report, which describes the events after balance date, specifically as a result of the impact of the COVID-19 pandemic, economic uncertainties have arisen which are likely to negatively impact the Group. Furthermore, the Group suspended production at the Montgomery quarry until further notice as a result of the impact of the COVID-19 pandemic. Our opinion is not modified in respect of this matter.

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of Montgomery Quarry and Reserves Refer to critical accounting estimates and judgements in note 2(v) and note 14 to the financial report. As disclosed the Group had total capitalised quarry and reserve assets of \$1,044,393 as at 31 December 2019. In the year ended 31 December 2019, no impairment was recorded. As disclosed in note 14, the carrying value of the Montgomery Quarry; quarry and reserves amounted to \$312,051 at 31 December 2019 and was allocated to the Montgomery Quarry cash-generating unit (CGU). This was a key audit matter because the impairment testing process is complex and highly judgemental and is based on assumptions and estimates that are affected by expected future performance and market conditions.	We performed the following procedures, amongst others: We evaluated the Group's assessment of whether there were any indicators of asset impairment at 31 December 2019. We considered whether the discounted cash flow model used to estimate value in use (the impairment model) was consistent with the basis required by Australian Accounting Standards. We tested whether the forecast cash flows used in the impairment model were consistent with management's most recent forecasts. We considered whether management's key assumptions and estimates used to determine the recoverable amount of its assets, including those related to forecast commodity prices and revenue, costs, discount rates and residual values, were reasonable and based on supportable assumptions by: - comparing the forecasted cash flows to actual cash flows for previous years to assess the accuracy of the Group's forecasting; - comparing growth rate assumptions in the impairment model to current economic forecasts; and - assessing the Group's discount rate calculations, including having regard to the inputs utilised in the Group's weighted average cost of capital. We tested the internal mathematical accuracy of the impairment model's calculations.

Independent Auditor's Report to the Members of ChongHerr Investments Ltd (continued)

Key audit matter	How our audit addressed the key audit matter
	We also performed sensitivity analysis to stress test the key assumptions used in the value in use discounted cash flow model, including revenue growth, terminal growth rates and discount rates. We assessed the adequacy of impairment related disclosures in the financial statements, including the key assumptions used and the sensitivity of the financial statements to these assumptions, in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2019 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

directors' responsibility for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

Independent Auditor's Report to the Members of ChongHerr Investments Ltd (continued)

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Nexia Australia

Independent Auditor's Report to the Members of ChongHerr Investments Ltd (continued)

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 11 of the Directors' Report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of ChongHerr Investments Ltd for the year ended 31 December 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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 Australian Auditing Standards.

Nexia Brisbane Audit Pty Ltd.

Nexia Brisbane Audit Pty Ltd

Robertson.

Ann-Maree Robertson
Director

Level 28, 10 Eagle Street
Brisbane QLD, 4000

Date: 31 March 2020

CHONGHERR INVESTMENTS LTD
AUSTRALIAN STOCK EXCHANGE ADDITIONAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere is as follows:
The information was applicable as at 11 February 2020.

(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	43.46%
Mr Jianhe Zhan	17,000,000	13.06%
Mr De Hui Liu (Liu & Zhuang Family Trust)	16,418,057	12.61%
Mr Jianming Xiong	12,960,000	9.95%
Mr Dehui Liu	4,180,000	3.21%
Min Shi	2,997,635	2.30%
GA & AM Leaver Investments Pty Ltd (GA & AM Leaver S/Fund A/C)	[illegible]	[illegible]
Mr Bin Zhuo	2,450,000	1.88%
Mr Wing Fung Chung	2,040,000	1.57%
Desibi Pty Ltd	1,770,000	1.36%
Mr Liu Dejun	1,650,000	1.27%
Mr Zao Fa Wu	1,360,000	1.04%
Mr Gordon Bradley Elkington	904,500	0.69%
Mr Qingquan Liu	822,572	0.63%
Mr Timothy Frederick Berlet	600,000	0.46%
Ms Kie Huong Ting	500,000	0.38%
Citicorp Nominees Pty Limited	450,000	0.35%
Desibi Pty Ltd	375,000	0.29%
Carojon Pty Ltd<Imbruglia S/F A/C>	359,640	0.28%
Mr John Macnaughtan+Mrs Josephine Macnaughtan <Family Super Fund A/C>	333,500	0.26%
Portion held by 20 Largest Holders	126,705,207	97.31%

(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	27	24.32	16,342	0.01
1001 – 5,000	22	19.82	38,100	0.03
5,001 – 10,000	3	2.70	24,500	0.02
10,001 –100,000	28	25.23	1,638,580	1.26
100,001and Over	31	27.93	128,489,874	98.68
Total	111	100.00	130,207,396	100.00

Marketable Parcel

The number of shareholders holding less than a marketable parcel of 100,000 securities ($0.010 on 17/01/2019) is 62 and they hold 410,727 securities.

Substantial Shareholders

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

(c) Voting Rights

- On a show of hands every member present in 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

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 (3rd 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 a 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.

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 statement. It is current as at 28th February 2020 and had been approved by the Board

(Principle 1 – Lay Solid Foundations for Management and Oversight)

Recommendation 1.1

Companises should disclose the respective roles and responsibilities of its Bord and Managemnt and those matters expressly reserved to the Board and those delegate to the Management and disclose those fnctions.

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 Management. The Board has a planned meeting process to undertake its responsibilities and to receive reports from the Management on the conduct of business. The Board is also able to meet on an unplanned basis where necessary.

Recommendation 1.2

Companies should make appropriate checks before appointing a person, putting forward to security holders a candidate for election as a director and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company undertakes checks on any person who is being considered as a directors. These checks may include charactter, experience, education and financial background.

All material information about each candidate to a decision whether o not to elect or re-elect a director will be contained in the Explanatory Memprandum to the Notice of Annual General Meeting.

Recommendation 1.3

Companies should have a written agreement with each director and senior executive setting out the terms of their appointment.

All directors and senior executives have contracts in place

Recommendation 1.4

The Company secretary should be accountable directly to the Board through the Chair, on all matters to do with the proper functioning of the Board.

The Company Secretary is accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

Recommendation 1.5

The Company should establish a policy concerning diversity and disclose the policy or summary of the policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

The Company recognises that a talented workforce is important in building a business. The Company's policy is to employ on the basis of competence with no regard to gender, age nationality or race. The Company has not formulated measurable objective and gender diversity policy but it is the Board's intention to formalise the policy at the time when the Company's size and structure warrant a formal policy.

Recommendation 1.6

The Company should have and disclose a prcocess for periodically evaluating the performance of its Board, its committees and indivdual directors and whether a performance evaluation was undertaken in the reporting period in accordance with that process.

In view of Company's current size and structure, the Board considers that no eficeincies or benefits would be gained by introducing a formal ealuation policy. The Board monitors the overall corporate governance of the Company with the aim of ensuring that shareholders' interest is protected. The Board will consider establishment of formal Board and individual director's performance once the size and structure of the Company warrant.

Recommendation 1.7

The Company should have and disclose a prcocess for periodically evaluating the performance of senior executives and whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Due to the size of the company, the only senior executive, managing director is also the Chairman of the Board and the major shareholder of the company, who responsibles for overall performance of the Company. This scenaria does not warrant a formal annual evalution on the senior executive. The Board will consider a process for evaluating the performance of senior executives when the size and structure of the Board warrant in the future.

(Principle 2 – Structure of the Board to Add Value)

Recommendation 2.1

The Board should establish a nomination Committte of which the majority of the members should be independent directors (including the Chair).

The Company does not have a nomination committee. The Board considers that the Company is not of a size or complexity to warrant the formation of a committee.

Directors are appointed under the terms of the Company's constitution. Appointments to the Board are based on merit and on criteria that the Board believes gives a blend of appropriate skills, expereience and expertise to the functioning of the Board. Retirement and rotation of directors are governed by the Corporation Act 2001 and the constitution of the company

Recommendation 2.2

The Company should have and disclose a Board Matrix settting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

The Board considers that its structure is appropriate in the context of the Company's activities and does not consider it necessary at this stage of its development to have a matrix setting out the mix of skills of the directors. The expereience and skills of the directors are documented in the Annual Report.

Each director has the right of acess to all relevant company information and to the Company's employees, subject to prior consultation with the Chairperson, may seek independent professional advice from a suitably qualified adviser at the Company's expense.

Recommendation 2.3

The Company should disclose the names of the directors considered to be independent directors and the length of serie of each director

Name	*Position*	*Independence*	*Length of service*
Dehui Liu	*Executive Director*	*Not independent- Mr Liu is a major shareholder, Managing Director and the Chair*	*19 years (Since 7 Oct 1999)*
Zhen Lu	*Non-executive Director*	*Independent*	*16 years (Since 19 Aug 2002)*
Sophia Xiaoqing Kong	*Executive Director*	*Not independent – Ms Sophia is the Company Secretary*	*15 years (Since 8 July 2003)*
Shao Liu	*Non-Executive Director*	*Independent*	*5 years (Since 18 Sept 2013)*
Wenpei Chen	*Non-Executive Director*	*Independent*	*3 months (Since 20 Dec 2019)*

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Recommendation 2.4

A majority of the Board of Directors should be independent directors

In the current Board, two of the directors are independent and two of the directors are not independent. The Board believes that the individuals on the Board can and do make quality and independent judgements in the best interest of all stakeholders notwithstaning that that they are not independent directors in accordance with the criteria in the recommendation.

Recommendation 2.5

The Chair of the Board should be independent director and should not be the CEO of the entity.

The Chairman of the Company is not considered to be independent as he is a substantial shareholder and also the CEO of the company. Given the size, history and activities of ChongHerr, the directors believe that this arrangement is appropriate and also believes that the current Chairman can and does make quality and indepent judgements in the best interest of the Company and other stakeholders not withstanding that he is not an independent director in acordance with the criteria set out in the recommendation.

Recommendation 2.6

The company should have a program for inducting new directors and provide approriate professional development opportunities for directors to develop and maintain the skills and knowledge required to perform their roles as directors effectively

The Company has procedures to provide new directors with any information they may The Company encourages and recommends that all directors attend relevant external seminars and education programs to assist them in the effect of exercise of their powers and duties. The Board agrees that any such education obtained by a director will be at the expense of the company.

(Principle 3 – Act Ethically and Responsibly)

Recommendation 3.1

The company should have a code of conduct for its directors, senior exeutives and employees.

The Company is committed to operating ethically, honsestly, responsibly and legally in all its business dealings. 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.

(Principle 4 –Safegurd Integrity in Financial Reporting)

Recommendation 4.1

The company should have an Audit Committe

The does not have an Audit Committee. The Board considers that the company is currently not of a size, nor are its affairs of such complexity, to justify the formation of special committees at this time. The Board as a whole is able to address the governance aspects of the Company's activities and to ensure it adheres to apprpriate ethical standards and considers no efficiencies by establishing audit Committee.

The Board requires external auditors to demonstrate quality and independence and recommends for rotation of the audit engagement partner.

Recommendation 4.2

The Board of the company should, before it approves the Company's financial statemtts, receive from its CEO and CFO a declaration, that in their opinion, the financial records of the Company have been properly maintained and that the financial statemetns comply with appropriate accounting standards and give a true and fair view if the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk Management and internal control which is operating effectively.

The Board receives the necessary declarations in writing from the CEO/CFO with respect to the financial records, financial statements and system of risk managemtn and internal control before it approves the Company Financial statements for a fianancial period.

Recommendation 4.3

The Company should ensure that the Auditor is present at the Annual General Meeting and that thet be available to answer questions pertaining to the Audit from Security holders

The Auditors has been available at Annual General Meeting to answer questions from the security holders

(Principle 5 – Make Timely and Balanced Disclosure)

Recommendation 5.1

The Company should have a written policy for complying with its continuous disclosure requirements under the listing rules.

The Company had established policies for complying with timely disclosure of material information concerning the company. This includes internal reporting procedures in place to ensure that any sensitive information or information which has material effect on price and value of the its securities are reported to the Company Secretary in timely manner and the Company secretary is responsible for communications with Australian Securities Exhange (ASX) .

(Principle 6 – Respect the Right of Security Holders)

Recommendation 6.1

Companies should provide information about itself and its governance to investors via its website

The Company is committed to maintaining a quality website that gives investors up-to-date information about the Company and its operations. The Company ensures it posts the following inforamtion to the Company Website once its realease is confirmed to the ASX

- Notice of Meeting
- Annual reports including financial statements
- Relevant Announcement posted to market via ASX

Recommendation 6.2

Companies should design and implement an investor relation program to cacilitate the two way communication with investors

While there is no formal relation program, the company encourages communications between shareholders and the Board , Chairman/ CEO via emails and call. The Company will consider a formal relationship program as it grows in size, to facilitate two way comminucation with investors.

Recommendation 6.3

Companies should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

Shareholders are encouraged to participate in the Annual General Meeting to ensure accountability and identification with Company's strategies and goal.

Shareholders who are unable to attend the AGM are encourage to vote by appointing a proxy using the form included with the Notice of meeting. Shareholders are encourage to ask questions of the Board as part of the formal meeting following voting on any resolutions that appeared in the Notice of Meeting.

The Company ensures that both directors and the Audit partner are available to answer questions in Annual General Meeting.

Recommendation 6.4

Companies should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Shareholders have the option to receive communications from and send communications to the Company and its share registry, Link Market Services, electronically.

(Principle 7 – Recognise and manage risk)

Recommendation 7.1

The company should have a a committee or committee to oversee risk.

The Board considers that the company is not currently of size, nor are its affairs of such complexity, to justify the formation of special commiittees ar this time.

Risk management framework will be undertaken by the Board.

Recommendation 7.2

The Bard should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and siclose whether such a review has taken place.

Due to the size and nature of the business, no formal business risk management review had been taken place in fianncial year 2019. Risk indenfication and assessment pertaining to helath and safety had been constantly reviewed and monitored by the management team during the year. The Board is recognising the importance of risk managemnt and would formalise the risk management framework in the coming year.

Recommendation 7.3

The Board should disclose if it has an internal audit function

The Company does not have an internal audit functoion as it is believes that the current size and its complexity of affairs does not warrant the set up of this special committee. Internal control processes will be reviewed together with the risk management by the Board.

Recommendation 7.4

The Board should disclose whether it has any material exposure to economic, environmental and social sustainability risks and if it does, how it proposes to manage those risks.

The Company deals with quarrying of sandstone. Environmental sustainablility are monitored in accordance with conditions set in the environmental authority issued by the Department of Environment and Heritage Protection.

(Principle 8 – Remunerate fairly and responsibly)

Recommendation 8.1

The company should have a Remuneration Committee

The Company does not have a RemunerationCommittee. With the size and the current stage of development of the Company, it is believed that a remuneration committee would not add any efficiency to the process of determining the levels of remuneration for the directors and key execuitves. The Board considered that it is more appropriate for Board meeting to address the matters that would ordinarilly fall to a remuneration Commiittee. All matters of renumeration will continue be in accordance with Corporations Act requirements, especially in repect of related party transactions, i.e., none of the directors participate in any deliberations regarding their own remuneration or related issues.

Recommendation 8.2A

The company should separately disclose its policies and practices regarding the remuneration of non-executive directors and the renumertion of executives, directors and the senior executives.

Disclosure as to the nature and amount of remuneration paid to directors of the Company is included in the Directoes report and notes to the financial statements in the Company’s annual report each year.

Board and executives are remuerated fairly with reference to the relevant employment in the market and the financial performance of the Company.