



ChongHerr

INVESTMENTS LTD

14 March 2016

ASX Company Release

Update to Annual Report 2015

This serves to inform that Annual Report 2015 has been revised to:

- update the Company's Corporate Governance Statement in accordance with Corporate Governance Principles and Recommendations (3rd edition) by ASX Corporate Council (page 61-69 of the report)
- amend a typographic error on page 20 of the report

The revised Annual Report 2015, as appended, supersedes the version released on 29 February 2016.

De Hui Liu
Managing Director
ChongHerr Investments Ltd

A.B.N.: 52 054 161 821

Lot 50 Goldmine Road
Helidon, Qld 4344
P O Box 3584,
Sunnybank South
Qld, 4109
Australia
Phone: 61 7 3711 2088

www.chongherr.com.au,

info@chongherr.com.au



ChongHerr

I N V E S T M E N T S L T D

Annual Report 2015

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

Company Secretary

Ms Sophia Xiaoqing Kong

Registered Office

Lot 50 Goldmine Road
Helidon 4344
Telephone 61-7- 3711 2088
Email: info@chongherr.com.au
Website: www.chongherr.com.au

Solicitors

Colin Biggers & Paisley Pty Ltd
Level 5
307 Queen Street
GPO Box 142
Brisbane QLD 4001

Bankers

Commonwealth Bank of Australia

Share Register

Link Market Services Ltd
Level 15, 324 Queen Street
Brisbane QLD 4000
Telephone 1300 554 474
Facsimile 61-2-9287 0303

Auditors

BDO Audit Pty Ltd
Level 10, 12 Creek Street
QLD 4000
Australia

ChongHerr Investments Ltd

ABN: 52 054 161 821

Annual Report

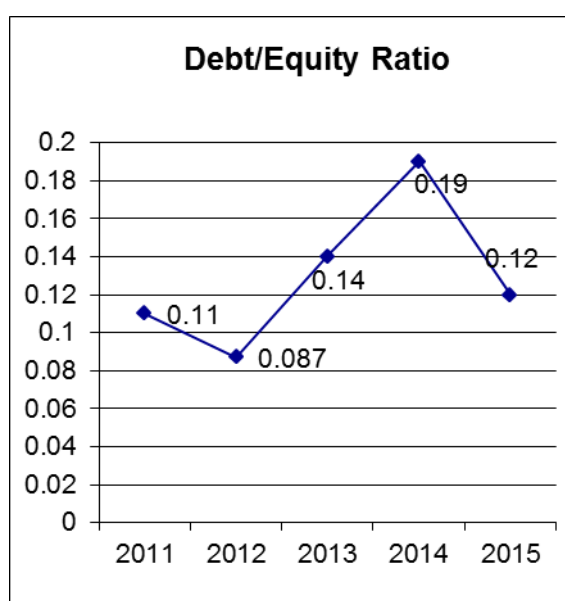
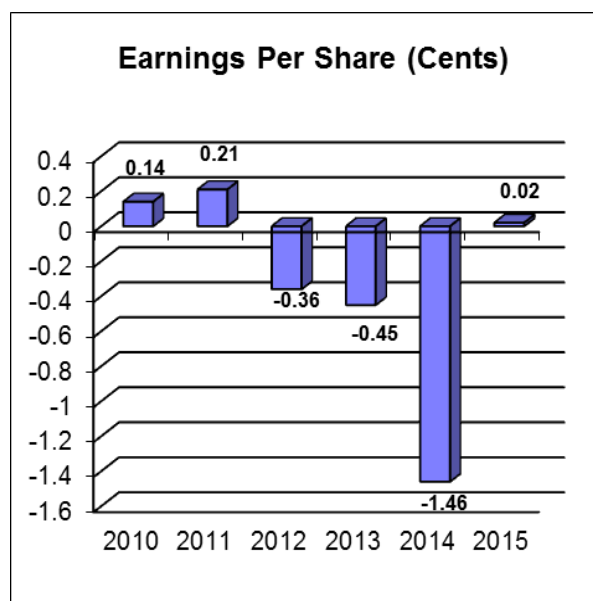
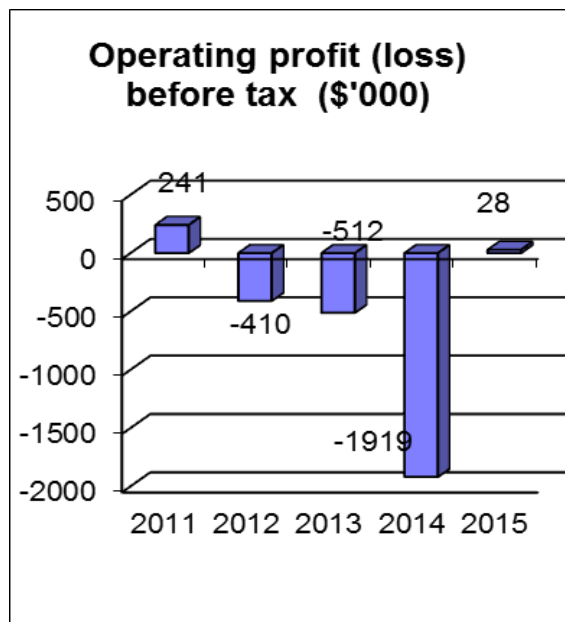
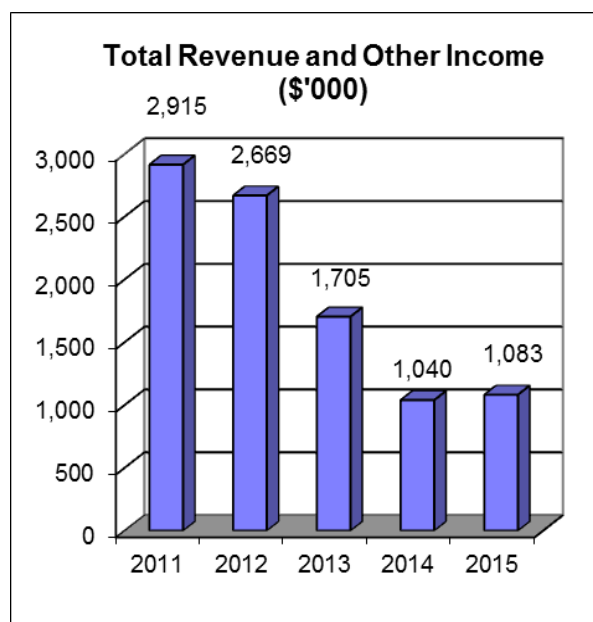
for the Year Ended 31 December 2015

Table of Contents

	Page
2015 Operating and Financial Highlights	1
Chairman's Review	2
Quarry and Production	3
Market & Business Outlook	4
Director's Report	5-13
Independent Auditor's Declaration	14
Consolidated Financial Statements	
Statement of Profit or Loss and Other Comprehensive Income	15
Statement of Changes in Equity	16
Statement of Financial Position	17
Statement of Cash Flows	18
Notes to the Financial Statements	19-56
Directors' Declaration	57
Independent Auditor's Report	58
ASX Additional Information	60
Corporate Governance Statement	61-69

2015 Operating and Financial Highlights

	2015	2014	2013
Total Revenue and Other Income (\$'000)	1,083	1,040	1,856
Operating profit (loss) before tax (\$'000)	28	(1,919)	(512)
Net Cash flow (\$'000)	23	(12)	(147)
Borrowings (\$'000)	307	472	620
Total Shareholders' funds (\$'000)	2,416	2,388	4,153
Debt/Equity Ratio %	12.7	19.7	14.9
Earning per share (cents)	0.02	(1.66)	(0.45)



Chairman's Review

It is my pleasure to present to you the Annual Report for the year to 31 December 2015.

2015 saw spectacular changes in the performance of the company. The company recommenced its operation with an improved operation plan under a leaner structure and highly dedicated management personnel, which has turned around its business substantially, from an acute loss to profit.

The year under review recorded a net profit of \$27,707 against the previous year loss of \$1,919,301, a remarkable improvement. This result is mainly contributable to the significant cost reduction, as well as the considerable increases in sales.

Sale revenue increased by 43% to \$1.039 million against the previous year of \$0.729 million. Block sales accounted for 18% of the total sales while the balance of 82% is made up of sales of boulders and crushed rocks.

91% of the sales is from domestic market of which around 50% of it come from the operation of a sub-contractor within the company's quarry. Only 9% of the sales represents blocks exported directly to China. Included in the other income is an amount of \$44,392 of fuel tax credit refund pertaining to fuel consumed during the year.

As mentioned above, the better performance of the company was brought by cost reduction as the company had been stringently observing cost saving; both administration and quarry operating cost has always been closely monitored to keep the production cost low. The cost saving effort has maintained the total quarry operating cost for the year at the same level as the previous year when the quarry was not in operation and thus has brought the unit production down by more than 30% as compared to that of the previous years. The total selling and administration costs also shrunk by 9% as compared to the previous year. However there are statutory fees such as environment fee, mining leases rental and land rate which still remain considerably high, making businesses in this industry wobbling. It is therefore also my urge to our government to review those fees in order to make the industry more viable to catalyse the economy activities and to make also our products more competitive in the global market.

Last but not least, I wish to put in record the assistance rendered from various government sectors especially Department of Natural Resources and Mines and Department of Environment and Heritage Protection that helped our quarry be operated in a safe and sustainable environment. I would also like to thank our employees for their dedication and unflinching effort towards the group's progress and shareholders for their continued support of the company.

Best Regards,



Mr De Hui Liu
Chairman
ChongHerr Investments Ltd
29 February 2016
Brisbane, Australia

Quarry and Production



The company recommenced its operation in Montgomery Quarry with a fresh team of operators, underwent the phases of training, realigning of working plan and entered into full operation. A wide range of products, including export blocks and boulders of various grades and sizes had been extracted during the year. 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.

Total production at Montgomery Quarry during 2015, which includes all products ranging from crushed rock through to the highest quality export grade sandstone is comparable to the production in 2013 (the previous year when the quarry was in operation). With the production of more than 1,600 tons of export quality block in the year, stock in hand of the export quality sandstone blocks rose by more than 1000 tons due to the slowness in export sales.

Besides the sub-contractor operating within the quarry has contributed a significant portion of the production, the coming of a new client with a large contract of crushed rock in place has also contributed to the increase in sales and a more economical utilisation of waste.

The company's second Quarry, Zack Quarry, is also in Helidon region, is currently not utilised for production by the company.





Overseas Market

The company has been promoting and selling sandstone overseas especially in China since 2000 and sandstone have become a well-accepted building material for architects, property developers and construction companies alike with many high profile projects now completed in numerous cities showcasing Helidon sandstone, synonymous with the ASI Sandstone brand. However, during the recent years of global economy slowdown, the market had been severely affected, the company nevertheless is foreseeing that economic activity and growth will soon drive demand from China. It is therefore the company's strategy to continue supporting a well-trained sales team in order to maintain strong relationships with our existing and potential clients to prepare for the upcoming growth.

The quarry has been receiving visitors or buyers who export sandstone blocks. The company expects more regular visits or purchases from this group of customers in the near future.

As the popularity for sandstone grows across other parts of the world, the company also foresees potential buyers from other regions in the coming years.

ChongHerr Investments Ltd

Directors' Report 2015

Your directors submit their report for the year ended 31 December 2015.

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. <i>Other listed company directorships in the previous three years</i> 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. <i>Other listed company directorships in the previous three years</i> 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. <i>Other listed company directorships in the previous three years</i> Nil
Mr Shao Liu	Mr Shao Liu has career experience in China and educational background in Australia, who is capable to establish sustainable and profitable relationships with customers, suppliers and stakeholders across the world. He was appointed to the board on 18 September 2013 <i>Other listed company directorships in the previous three years</i> 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 1/1/15	Movement	Balance 31/12/15
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	-	3,220,000	3,220,000
Mr Zhen Lu	-	-	-
Ms Sophia Xiaoqing Kong	-	-	-
Mr Shao Liu	-	-	-

ChongHerr Investments Ltd

Directors' Report 2015

- (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 during the year.

Corporate Governance

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

(b) PRINCIPAL ACTIVITIES

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

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

3. RESULTS AND DIVIDENDS

The result after income tax of the consolidated entity for the year ended 31 December 2015 was a profit of \$27,707.

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

Sales, totalling \$1,038,984 in the year, are up by 43% from previous years, which was brought by recommencement of the quarry operation.

While international market is acutely affected by the global economy downturn, the company observed gradual growth in domestic sales during the year.

The company continued to extensively promote sandstone products in China, significant effort is also being made to further increase domestic block and boulders sales.

The credit risk of the company has now been diversified. The two customers, as reported in the previous year with high trade receivables which are past due, have their debt balances reduced to \$ 22,298 and \$32,328 respectively at the end of January 2016. These balances are expected to be fully recovered in 2016.

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

ChongHerr Investments Ltd

Directors' Report 2015

4. REVIEW OF OPERATIONS

SANDSTONE QUARRYING & PRODUCTION

With the recommencing of operation, the company has produced more than 1,600 tons of quality export blocks in the year. Other products extracted ranging from crushed rocks to sawn boulders of varies sizes and grades, are supplied to domestic markets mainly for use in the building industry. The total production of the year is comparable to the production two years ago when the quarry was in operation.

EXPORT OF SANDSTONE BLOCKS

Direct export sales in the year totalled \$85,325, a drop of 52% against the previous year export sale of \$175,184. Meanwhile, the company recorded an amount of \$88,662 sales of blocks to local buyers who in turn exported the sandstone blocks to China. The low sale volume was impacted by the slowness in property development caused by the poor economy growth in China.

After many years of efforts in promoting and marketing sandstone in China, the Company has established a significant portfolio of finished developments within China, including museums, libraries, government buildings, residential and commercial estates, hotels and resorts, all of which are highlighted by their extensive use of Helidon sandstone. Despite the current unfavorable economy, the company is optimistic that the Chinese economy will recover in the near future and China still remains as the focus of the company's sales opportunities in years to come. The Company therefore continues maintaining its sales and marketing in the Chinese marketplace, primarily in commercial and residential construction.

The company is also exploring more sales opportunities in other overseas markets.

QUARRY TENURE

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

Mining lease	Quarry	Area (hectares)
ML 50013 (expires in 2032)	Zacks	129
ML 50016 (expires in 2017)	Montgomery	40
ML 50213 (expires in 2019)	Montgomery	36
Exploration permit EPM 11005 (expires 11 March 2016)	Montgomery and surrounding areas	230
Exploration permit EPM 18112 (expires 18 February 2020)	Montgomery and surrounding areas	2,400

FINANCIAL PERFORMANCE AND POSITION

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

ChongHerr Investments Ltd

Directors' Report 2015

The financial statements show a profit for the year of \$27,707 and total assets of \$3,197,009. The result in the year increased the consolidated entity's net assets to \$2,415,772 from the previous year of \$2,388,065.

Sales, totalling \$1,038,984 in the year, an increase of 43% from the previous year. In the current year, exports to China has decreased substantially while local sales is undergoing some gradual growth.

With the recommencing of operation, the performance in the year have improved grossly over 2014. Increase in local sales, improvement in operation efficiencies and cost saving exercise are contributing to the profit result of \$27,707 for the year against the loss of \$1,919,301 in 2014. The Group also recorded a positive cash flow of \$22,514 resulting in an lower overdraft balance of \$154,271 as compared to the overdraft balance of \$176,785 at the end of 2014. The Group's credit risk on two customers reported in the previous year, has now been reduced and the directors believe those debts are highly recoverable and the going concern of the company will no longer be dependent on the recovery of the debts.

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

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

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

5. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

6. SIGNIFICANT EVENTS AFTER BALANCE DATE

No 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 (see also the comments in section 3 above). Additionally, in the coming year the company will maintain its focus on sales opportunities in China and 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 company will also continue to conduct its business so that profitability can be enhanced and the balance sheet strengthened. Further information about likely developments in the operations of the group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the group.

ChongHerr Investments Ltd

Directors' Report 2015

8. ENVIRONMENTAL RESPONSIBILITIES

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

9. REMUNERATION REPORT - AUDITED

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

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

Remuneration Policy

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

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

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 2015.

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 (Executive director)

Mr Shao Liu (Non-executive director)

ChongHerr Investments Ltd

Directors' Report 2015

Key Management Personnel (KMP)

Key management personnel are those directly accountable and responsible for the operational management and strategic direction of the Company and the Consolidated Entity. 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- uation	Termin- ation benefits	Long service leave	
	\$	\$	\$	\$	\$	\$	\$
31 December 2015							
Mr De Hui Liu	42,419	-	-	4,030	-	-	46,449
Mr Zhen Lu	-	-	-	-	-	-	-
Ms Sophia Xiaoqing Kong	-	-	-	-	-	-	-
Mr Shao Liu	-	-	-	-	-	-	-
Total	42,419	-	-	4,030	-	-	46,499
31 December 2014							
Mr De Hui Liu	18,421	-	-	1,727	-	-	20,148
Mr Zhen Lu	-	-	-	-	-	-	-
Ms Sophia Xiaoqing Kong	19,228	-	-	1,779	-	-	21,007
Mrs Peijuan Zhuang	-	-	-	-	-	-	-
Total	37,649	-	-	3,506	-	-	41,155

No share based payments have been paid or accrued for any director or key management personnel in the year ended 31 December 2015 (2014: nil). For the year ended 31 December 2015 (2014: nil) no remuneration was performance based and no remuneration consisted of options (2014: nil).

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.

ChongHerr Investments Ltd

Directors' Report 2015

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.

	2011	2012	2013	2014	2015
	\$	\$	\$	\$	\$
Sales Revenue	2,622,855	2, 520,261	1,704,933	729,140	1,038,984
Net result	240,676	(409,870)	(511,684)	(1,919,301)	27,707
Share Price at year end	0.016	0.003	0.011	0.011	0.006
Dividends	-	-	-	-	-
Total KMP Remuneration	41,075	18,365	57,203	41,155	46,499

Shares issued on exercise of compensation options

No shares were issued on the exercise of compensation options in the 2014 or 2015 financial years. There are currently no outstanding compensation options on issue.

Ordinary shares held in ChongHerr Investments Ltd

	Balance 01-Jan-15	Movement	Balance 31-Dec-15
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	-	3,220,000	3,220,000
Mr Zhen Lu	-	-	-
Ms Sophia Xiaoqing Kong	-	-	-
Mr Shao Liu	-	-	-
Total	73,002,414	3,220,000	76,222,414

End of Remuneration Report – Audited

ChongHerr Investments Ltd

Directors' Report 2015

10. DIRECTORS' MEETINGS

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

Directors' Meetings		
	No. of Meetings held while in office	Meetings attended
Mr De Hui Liu	1	1
Mr. Zhen Lu	1	1
Ms Sophia Xiaoqing Kong	1	1
Mr Shao Liu	1	1

11. SHARE OPTIONS

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

12. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND AUDITOR

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

13. PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

14. NON-AUDIT SERVICES

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

As the auditor, BDO 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.

ChongHerr Investments Ltd
Directors' Report 2015

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 2015.

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



Mr De Hui Liu
Managing Director
ChongHerr Investments Ltd
29 February 2016
Brisbane, Australia

ChongHerr Investments Ltd

Auditor's Independence Declaration 2015



Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY C R JENKINS TO THE DIRECTORS OF CHONGHERR INVESTMENTS LTD

As lead auditor of Chongherr Investments Ltd for the year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'C R Jenkins', is written over a horizontal line.

C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 29 February 2016

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	CONSOLIDATED	
		2015	2014
		\$	\$
Revenue			
Sale of goods		1,038,984	729,140
Cost of sales		(568,860)	(568,204)
Gross profit		470,124	160,936
Other income	4	45,715	310,884
Selling and distribution expenses		(225,654)	-
Corporate and administration expenses		(222,299)	(491,000)
Impairment of trade receivables		-	(22,063)
Finance costs	4	(37,400)	(46,159)
Loss from disposal of plant and equipment		(2,779)	-
Impairment of other receivables		-	(1,831,899)
Profit/(Loss) before tax		27,707	(1,919,301)
Income tax expense	5	-	-
Profit/(Loss) after tax		27,707	(1,919,301)
Other Comprehensive Income, net of tax		-	-
Total Comprehensive Income		27,707	(1,919,301)
Earnings per share (cents per share)	6		
– basic earning/(diluted loss) per share		0.02	(1.66)

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

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	CONSOLIDATED ENTITY		
	Issued Capital \$	Accumulated Losses \$	Total Equity \$
At 1 January 2014	18,218,667	(14,065,884)	4,152,783
Comprehensive income for the year:			
(Loss) for the year	-	(1,919,301)	(1,919,301)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(1,919,301)	(1,919,301)
Share issue during the year	170,000	-	170,000
Share buy-back and cancelled during the year	(15,417)	-	(15,417)
At 31 December 2014	18,373,250	(15,985,185)	2,388,065
Comprehensive income for the year:			
Profit for the year	-	27,707	27,707
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	27,707	27,707
At 31 December 2015	18,373,250	(15,957,478)	2,415,772

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

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	NOTES	CONSOLIDATED	
		2015	2014
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	8	-	-
Trade and other receivables	9	212,673	402,360
Inventories	10	255,514	120,112
Prepayments		19,808	29,157
Total Current Assets		487,995	551,629
Non-current Assets			
Trade and other receivables	9	-	-
Other financial assets	11	92,065	90,742
Property, plant and equipment	12	588,467	756,138
Quarry and reserves	13	1,871,204	1,895,202
Exploration & evaluation assets		157,278	137,480
Total Non-current Assets		2,709,014	2,879,562
TOTAL ASSETS		3,197,009	3,431,191
LIABILITIES			
Current Liabilities			
Trade and other payables	14	302,585	413,896
Borrowings	15	230,513	318,505
Provisions	16	17,358	5,776
Total Current Liabilities		550,456	738,177
Non-current Liabilities			
Borrowings	15	77,031	153,274
Provisions	16	153,750	151,675
Total Non-current Liabilities		230,781	304,949
TOTAL LIABILITIES		781,237	1,043,126
NET ASSETS		2,415,772	2,388,065
EQUITY			
Issued capital	17	18,373,250	18,373,250
Accumulated losses		(15,957,478)	(15,985,185)
TOTAL EQUITY		2,415,772	2,388,065

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

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	CONSOLIDATED	
		2015	2014
		\$	\$
Cash flows from operating activities			
Receipts from customers		1,232,809	815,170
Payments to suppliers and employees		(1,056,092)	(1,049,482)
Finance costs		(37,400)	(46,159)
Interest received		1,323	4,232
Receipts from fuel credit refund		44,392	237,504
Net cash flows from/(used in) operating activities	8	184,032	(38,735)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(19,910)
Payments for exploration & evaluation assets		(19,798)	(4,152)
Proceeds from other financial assets		-	51,307
Net cash flows from/(used in) investing activities		(19,798)	27,245
Cash flows from financing activities			
Repayment of finance lease liabilities		(141,720)	(155,383)
Proceeds from capital raising		-	170,000
Payment for share buy-back		-	(15,417)
Net cash flows used in financing activities		(141,720)	(800)
Net increase/(decrease) in cash and cash equivalents		22,514	(12,290)
Cash and cash equivalents at beginning of period		(176,785)	(164,495)
Cash and cash equivalents at end of period	8	(154,271)	(176,785)

The accompanying notes form an integral part of this financial statement

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. CORPORATE INFORMATION

The financial statements of ChongHerr Investments Ltd for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 29 February 2016. The financial statements cover the consolidated entity of ChongHerr Investments Ltd and its controlled entities.

ChongHerr Investments Ltd is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange. The Address of the Group's registered office is Lot 50, Goldmine Road, Helidon 4344, Queensland.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

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

Compliance with IFRS

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

Historical cost convention

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

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Going Concern

The Group achieved a net profit of \$27,707 (2014: loss \$1,919,301) for the year ended 31 December 2015. As at 31 December 2015 the Group has net cash reserves of -\$154,721 (overdraft) (2014: -\$176,785), net current assets deficiency of \$62,460 (2014: \$186,548) and net assets surplus of \$2,415,772 (2014: \$2,388,065).

The Group's credit risk is now diversified, the two major customers as reported in the previous year has resolved to pay a substantial portion of the debt past due during the financial year and the directors believe the balance of the debts are highly recoverable. The directors are carefully monitoring ChongHerr's financial performance and position.

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

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

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

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

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

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

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards and Interpretations

New and amended standards adopted by the group

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 31 December 2015.

These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

b) Basis of consolidation

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

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

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.

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

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.

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

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

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.

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Exploration and evaluation assets

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

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

Both for close down and restoration and for environmental clean-up costs, provision is made in the accounting period when the related disturbance occurs, based on the net present value of estimated future costs.

For close down and restoration costs, which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas, movements in provision other than the amortisation of the discount, such as those resulting from changes in the cost estimates, lives of operations or discount rates, are capitalised into the carrying amount of development and amortised against future production.

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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) Provisions

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

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

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

Employee benefits

Short-term employee benefits

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

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

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other long-term employee benefits

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

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

Retirement benefit obligations

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

1) Leases

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

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

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

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

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- i. Loans and receivables.
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.
- ii. Financial liabilities.
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment – Financial assets

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

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

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

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

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

n) Revenue

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

Sale of goods

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

Interest income

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

Fuel credit refund

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

o) Income tax

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

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

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

p) Other taxes

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

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

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

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

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

q) Comparatives

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

r) Parent entity financial information

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

(i) Investments in subsidiaries

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

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Critical accounting estimates and judgments

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

Quarry and reserves

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

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

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

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

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

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.

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

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 \$2,616,949 (2014: \$2,788,820) and the total of these non-current assets located in other countries is nil (2014: nil). Segment assets are allocated to countries based on where the assets are located.

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

3. SEGMENT INFORMATION (Continued)

	<i>South-east Asia</i>	<i>Australia</i>	<i>Total</i>
	\$	\$	\$
31 December 2015			
External revenue	85,325	953,659	1,038,984
Other revenue		44,392	44,392
Interest income	-	1,323	1,323
Interest expense	-	(37,400)	(37,400)
Depreciation and amortisation	-	188,890	188,890
Reportable segment profit/(loss) before income tax	(186,718)	439,503	252,785
Unallocated corporate expenses			
-Employee benefits			(111,369)
-All other costs			(113,709)
Consolidated income before income tax			27,707
31 December 2014			
External revenue	175,184	553,956	729,140
Other revenue		239,211	239,211
Interest income	67,441	4,232	71,673
Interest expense	-	(46,159)	(46,159)
Depreciation and amortisation	-	227,855	227,855
Reportable segment profit/(loss) before income tax	(1,922,242)	226,147	(1,696,095)
Unallocated corporate expenses			
-Employee benefits			(86,253)
-All other costs			(136,953)
Consolidated profit before income tax			(1,919,301)

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

3. SEGMENT INFORMATION (continued)

	<i>South-east Asia</i>	<i>Australia</i>	<i>Total</i>
	\$	\$	\$
31 December 2015			
Segment assets	90,190	3,106,819	3,197,009
Unallocated assets			-
Total assets			3,197,009
Segment liabilities	21,216	76,021	781,237
Unallocated liabilities			-
Total liabilities			781,237
Other material non-cash items:			
Impairment loss	-	-	-
Capital expenditure	-	19,798	19,798
31 December 2014			
Segment assets	309,825	3,121,366	3,431,191
Unallocated assets			-
Total assets			3,431,191
Segment liabilities	19,509	1,023,617	1,043,126
Unallocated liabilities			-
Total liabilities			1,043,126
Other material non-cash items:			
Impairment loss	(1,831,899)	-	(1,831,899)
Capital expenditure	-	25,161	25,161

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.

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

4. REVENUES AND EXPENSES

	CONSOLIDATED	
	2015	2014
	\$	\$
(a) Other income		
Finance income:		
Interest income on trade receivables at amortised cost	-	-
Other interest income	1,323	71,673
Refund from fuel tax credit	44,392	237,504
Recovery of security deposit written off	-	1,707
	<u>45,715</u>	<u>310,884</u>
(b) Expenses		
Depreciation of plant and equipment	164,892	227,855
Amortisation of quarry and resources	23,998	-
Quarry restoration provision	2,075	2,808
Loss from disposal of plant and equipment	2,779	-
(c) Finance costs		
Interest expense on financial liabilities at amortised cost:		
Other borrowings	17,260	11,186
Finance charges payable under finance leases	20,140	34,973
Total finance costs	<u>37,400</u>	<u>46,159</u>
(d) Employee benefits expense		
Wages and salaries	492,618	427,370
Workers' compensation costs	13,269	10,127
Superannuation costs	46,693	44,800
	<u>552,580</u>	<u>482,297</u>

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

5. INCOME TAX

	CONSOLIDATED	
	2015	2014
	\$	\$
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 2015 and 2014 is as follows:		
Accounting profit/(loss) before tax from continuing operations	27,707	(1,919,301)
At the statutory income tax rate of 30% (2014: 30%)	8,312	(575,790)
Non-deductible expenses	7,245	990
Net amount of temporary differences	14,448	(16,203)
Deferred tax assets not recognised	-	591,003
Unrecognised tax losses of prior years utilised	(30,005)	-
Income tax expense	-	-

Unrecognised temporary differences and tax losses

Unused tax losses and temporary differences for which no deferred tax asset has been recognised	5,037,077	5,137,093
Potential tax benefit @ 30%	1,511,123	1,541,180

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.

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

6. EARNINGS PER SHARE

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

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

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

	CONSOLIDATED	
	2015	2014
	\$	\$
Net profit/(loss) attributable to equity holders from continuing operations	27,707	(1,919,301)
Weighted average number of ordinary shares for basic earnings per share	130,207,396	115,698,028

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

7. DIVIDENDS PAID AND PROPOSED

	CONSOLIDATED	
	2015	2014
	\$	\$
Declared and paid during the year	-	-
Proposed for approval at AGM (not recognised as a liability as at 31 December)	-	-
Franking credit balance	-	-

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

8. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2015	2014
	\$	\$
Cash at bank and in hand	-	-

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

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

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

Cash at bank and in hand	-	-
Bank overdraft (note 15)	(154,271)	(176,785)
	<u>(154,271)</u>	<u>(176,785)</u>

Reconciliation of the profit/(loss) after tax to the net cash flows from operating activities

Net profit/(loss) after tax	27,707	(1,919,301)
Depreciation	164,892	227,855
Amortisation	23,998	-
Loan interest receivable	-	(67,441)
Net loss on disposal of property, plant and equipment	2,779	-
Impairment provision – trade and other receivables	-	1,853,962

Changes in operating assets and liabilities

(Increase)/decrease in inventories	(135,402)	6392
(Increase)/decrease in trade and other receivables	188,363	29,117
(Increase)/decrease in prepayments and other assets	9,349	2,339
(Decrease)/increase in trade and other payables	(111,311)	(123,506)
(Decrease)/increase in provisions	13,657	(48,152)
Net cash from/(used in) operating activities	<u>184,032</u>	<u>(38,735)</u>

Non-cash financing and investing activities

During the year the Group did not have any addition of equipment (2014: \$21,010), of which \$ nil (2014: \$ nil) is by way of finance lease.

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

9. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2015 \$	2014 \$
Current		
Trade receivables (a)	304,733	498,880
Less: Impairment provision	(100,013)	(100,013)
	<u>204,720</u>	<u>398,867</u>
 Other receivables	 7,953	 3,493
	<u>212,673</u>	<u>402,360</u>
Non-current		
Other receivables (b)	-	1,831,899
Provision for impairment (b)	-	(1,831,899)
	<u>-</u>	<u>-</u>

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

(a) Included in trade receivables is an amount of \$35,006 (2014: \$134,641) which is past due normal trading terms. This debt relates to a customer Shenzhen Helidon Sandstone Ltd. Refer note 18 for further details.

(b) Other receivables as at 31 December 2014 comprised a secured loan to Jin Feng Da International Trading Co. Limited, an unrelated entity registered in Hong Kong with a total balance of \$1,831,899. The loan was secured over a 40% equity holding in the Shenzhen Bay Marine Club Co Ltd.

The loan was fully provided for as at 31 December 2014 due to doubts over its recoverability and has since then been fully written off as management have ceased to pursue either the loan principal or the security. The directors are of the opinion that the loan balance is not recoverable and that the legal costs incurred in pursuing the security would outweigh the value of the equity.

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

10 INVENTORIES

	CONSOLIDATED	
	2015	2014
	\$	\$
Finished goods	255,514	120,112
	<u>255,514</u>	<u>120,112</u>

11. OTHER FINANCIAL ASSETS (NON-CURRENT)

Security deposits	92,065	90,742
	<u>92,065</u>	<u>90,742</u>

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

Included in deposits is an amount of \$43,537 (2014: \$42,130) lodged as security for bank guarantees.

12. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED			
	Quarry Land	Owned Plant & Equipment	Leased Plant & Equipment	Total
	\$	\$	\$	\$
<i>Year ended 31 December 2015</i>				
At 1 January 2014, net of				
Accumulated depreciation	141,042	298,530	316,566	756,138
Disposal	-	(2,779)	-	(2,779)
Depreciation charge for the year	-	(72,485)	(92,407)	(164,892)
At 31 December 2015	<u>141,042</u>	<u>223,266</u>	<u>224,159</u>	<u>588,467</u>
<i>At 31 December 2015</i>				
Cost	141,042	2,076,983	1,707,038	3,925,063
Accumulated depreciation and impairment	-	(1,853,717)	(1,482,879)	(3,336,596)
Net carrying amount	<u>141,042</u>	<u>223,266</u>	<u>224,159</u>	<u>588,467</u>

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	CONSOLIDATED			
	Quarry Land	Owned Plant & Equipment	Leased Plant & Equipment	Total
	\$	\$	\$	\$
<i>Year ended 31 December 2014</i>				
At 1 January 2014, net of accumulated depreciation	141,042	374,346	447,595	932,983
Additions	-	21,010	-	21,010
Disposals	-	-	-	-
Depreciation charge for the year	-	(96,826)	(131,029)	(227,855)
Net carrying amount	141,042	298,530	316,566	756,138
At 31 December 2014				
Cost	141,042	2,079,810	1,707,038	3,927,890
Accumulated depreciation and impairment	-	(1,781,280)	(1,390,472)	(3,171,752)
Net carrying amount	141,042	298,530	316,566	756,138

The carrying value of plant and equipment held under finance leases at 31 December 2015 is \$224,159 (2014: \$316,566). Leased assets are pledged as security for the related finance lease liabilities.

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

13. QUARRY AND RESERVES

	CONSOLIDATED	
	2015	2014
	\$	\$
Capitalised expenditure on acquisition, evaluation and development		
- at cost	4,836,999	4,836,999
Accumulated amortisation	(1,331,010)	(1,307,012)
Provision for impairment	(1,634,785)	(1,634,785)
Total Helidon Quarry and Reserves (a)	1,871,204	1,895,202
Net carrying amount at beginning of year	1,895,202	1,895,202
Additions	-	-
Amortisation charge for the year	(23,998)	-
	1,871,204	1,895,202

(a) Helidon Quarry Reserves

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

Mining lease No. 50013 renewed in 2012 and due to expire 2032;

Mining lease No. 50016 due to expire 31 July 2017; and

Mining lease No. 50213 due to expire 31 December 2019.

The company also holds Exploration Permit for Minerals EPM No. 11005 and EPM No.18112 are due expiring in March 2016 and February 2020 respectively. The renewal application for EPM 11005 is being submitted to Department of Mine and Natural Resources for processing. The company is preparing to lodge more mining leases application in the near future.

14. TRADE AND OTHER PAYABLES (CURRENT)

	CONSOLIDATED	
	2015	2014
	\$	\$
Trade payables and accruals (unsecured)	302,585	413,896

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

15. BORROWINGS

	CONSOLIDATED	
	2015	2014
	\$	\$
Current		
Bank overdraft	154,271	176,785
Lease liabilities (note 20)	76,242	141,720
	<u>230,513</u>	<u>318,505</u>
Non-current		
Lease liabilities (note 20)	77,031	153,274
	<u>77,031</u>	<u>153,274</u>

Financing facilities available

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

Total facilities:		
– bank overdraft	200,000	220,000
– other loans, finance leases/HP	153,274	294,994
	<u>353,274</u>	<u>514,994</u>
Facilities used at reporting date		
– bank overdraft	154,271	176,185
– other loans, finance leases/HP	153,274	294,994
	<u>307,545</u>	<u>471,179</u>
Facilities unused at reporting date		
– bank overdraft	45,729	43,215
– other loans, finance leases/HP	-	-
	<u>45,729</u>	<u>43,215</u>

The bank overdraft facility was established in November 2006 and is on normal commercial terms and conditions. The facility is secured by registered first mortgage over the Group's property and mining leases. The carrying amount of the assets pledged as security is \$1,871,204 (2014: \$2,036,244).

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

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

16. PROVISIONS

	CONSOLIDATED		
	Quarry restoration	Employee benefits	Total
	\$	\$	\$
At 1 January 2015	151,675	5,776	157,451
Arising during the year	2,075	11,582	13,657
Utilised/written back	-	-	-
At 31 December 2015	153,750	17,358	171,108
Current 2015	-	17,358	17,358
Non-current 2015	153,750	-	153,750
	153,750	17,358	171,108
Current 2014	-	5,776	5,776
Non-current 2014	151,675	-	151,675
	151,675	5,776	157,451

Quarry restoration

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

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

17. ISSUED CAPITAL

	2015 \$	2014 \$
<i>Ordinary shares</i>		
Issued and fully paid	18,373,250	18,373,250
	2015	
<i>Movement in ordinary shares on issue</i>	<i>No.</i>	<i>\$</i>
At 1 January	130,207,396	18,375,250
Movement in the year		
-New issue	-	-
-Cancelled	-	-
At 31 December	130,207,396	18,375,250
	2014	
<i>Movement in ordinary shares on issue</i>	<i>No.</i>	<i>\$</i>
At 1 January	114,608,952	18,218,667
Movement in the year		
-New issue	17,000,000	170,000
-Cancelled	(1,401,556)	(15,417)
At 31 December	130,207,396	18,375,250

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

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

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

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

Credit risk

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

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

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

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

The Group's exposure to credit risk is influenced significantly by the characteristics of its customer base. Over the past few years, the group has been actively exploring new markets to diversify its customers base in China market and thus reduced its credit risk and its economic dependency with the long-dealing customer Shenzen Helidon Sandstone Ltd. There was no sales made to this customer during the year neither the previous year. At balance date, included in the trade receivables, which is past due normal trading terms of 90 days, realting to this customer and another new customer are \$35,006 (2014: \$134,641) and \$55,184 (2014: \$175,184) respectively (see note 9).

While the receivable is overdue, the directors consider the balance is fully recoverable as regular instalment payments has been received from the two debtors.

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.

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

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 39% (2014: 45%) of the Group's liabilities are interest bearing (all fixed rate) with \$77,031 (2014:\$153,274) due after 12 months – see notes 15 & 19 for further details.

Capital management

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

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

The parent entity does not have any share purchase or option arrangements, and encourages directors and employees to own shares in the company. Policy is that directors and employees should only trade in the company's shares in circumstances where the market is fully informed.

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

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

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	
	2015	2014
	\$	\$
Cash and cash equivalents	-	-
Trade and other receivables	212,673	402,360
Other financial assets	92,065	90,742
	<u>304,738</u>	<u>493,102</u>

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

	Carrying amount	
	2015	2014
	\$	\$
Australia	122,483	92,535
South-east Asia	90,190	309,825
	<u>212,673</u>	<u>402,360</u>

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

Impairment losses

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

	Carrying amount 2015		Carrying amount 2014	
	Gross \$	Impairment \$	Gross \$	Impairment \$
Not past due 0-60 days	94,034		227,580	-
Not past due 60-90 days	242	-	-	-
Past due 90-120 days	153	-	-	-
Past due 121-942 days	210,304	(100,013)	271,300	(100,013)
	<u>304,733</u>	<u>(100,013)</u>	<u>498,880</u>	<u>(100,013)</u>

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

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

19. FINANCIAL INSTRUMENTS (continued)

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

	CONSOLIDATED	
	2015	2014
	\$	\$
At 1 January	100,013	77,951
Impairment loss recognised	-	22,062
Balance at 31 December	100,013	100,013

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 2015

	Carrying amount \$	Contract- ual cash flows \$	6 months or less \$	6-12 months \$	1-2 years \$	2-5 years \$	More than 5 years \$
Lease liabilities	153,274	167,818	55,494	30,090	53,219	29,015	-
Trade payables	289,876	289,876	288,415	1,461	-	-	-
Bank overdraft	154,271	154,271	154,271	-	-	-	-
	597,421	611,965	665,634	28,629	53,219	29,015	-

Consolidated 31 December 2014

	Carrying amount \$	Contract- ual cash flows \$	6 months or less \$	6-12 months \$	1-2 years \$	2-5 years \$	More than 5 years \$
Lease liabilities	294,994	329,666	9,663	68,197	89,064	78,742	-
Trade payables	413,896	413,896	395,186	18,710	-	-	-
Bank overdraft	176,785	176,785	176,785				
	885,675	1,226,452	665,634	86,907	89,064	78,742	-

Currency risk

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

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

19. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

Profile

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

	Consolidated Carrying amount	
	2015	2014
	\$	\$
Fixed rate instruments		
Financial liabilities	(307,544)	(471,779)
	<u>(307,544)</u>	<u>(471,779)</u>
Variable rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	<u>-</u>	<u>-</u>

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss at 31 December 2015. 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 (2014:nil). This analysis assumes that all other variables remain constant.

Fair values

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

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

20. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Group has no operating lease commitment at 31 December 2015.

Finance lease commitments

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

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

	2015 Minimum payments \$	2014 Minimum Payments \$
<i>CONSOLIDATED</i>		
Within one year	85,584	161,877
After one year but not more than five years	82,234	167,789
Total minimum lease payments	167,818	329,666
Less amounts representing finance charges	(14,544)	(34,672)
Present value of minimum lease payments	153,274	294,994

Contingencies

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

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

21. SUBSIDIAIRES

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

Name	Country of incorporation	% Equity interest	
		2015	2014
Australian Sandstone Industries Pty Ltd	Australia	100	100

22. EVENTS AFTER THE BALANCE SHEET DATE

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

23. AUDITORS' REMUNERATION

	CONSOLIDATED	
	2015	2014
	\$	\$
(a) Amounts received or due and receivable by BDO for:		
Audit or review of the financial reports of the entity	39,000	44,760
Other non-audit services in relation to the entity	-	-
	<u>39,000</u>	<u>44,760</u>

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

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 (executive)
Mr Shao Liu	Director (non-executive)

b) Remuneration

	CONSOLIDATED	
	2015	2014
	\$	\$
Short term employee benefits	42,419	37,649
Share based payments	-	-
Post employment benefits	4,030	3,506
	<u>46,499</u>	<u>41,155</u>

c) Option holdings of directors and key management personnel

No options were held at 31 December 2015 or 31 December 2014.

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

25. PARENT ENTITY DISCLOSURES

As at and throughout the financial year ending 31 December 2015 the parent company of the Group was ChongHerr Investments Ltd.

	COMPANY	
	2015	2014
Result of the parent entity	\$	\$
Profit/(Loss) for the period	27,707	(1,919,301)
Other comprehensive income	-	-
Total comprehensive income for the period	27,707	(1,919,301)
Financial position of parent entity at year end		
Current assets	487,995	551,629
Total assets	3,197,009	3,431,191
Current liabilities	550,456	738,177
Total liabilities	781,237	1,043,126
Total equity of the parent entity		
Share capital	18,373,250	18,373,250
Accumulated loss	(15,957,478)	(15,985,185)
Total equity	2,415,772	2,388,065

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 2015 the parent entity had security deposit guarantees of \$92,065 (2014: \$90,374) with various entities.

CHONGHERR INVESTMENTS LTD – ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015 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 10 to 11 of the directors' report (as part of audited Remuneration Report), for the year ended 31 December 2015, 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
29 February 2016

INDEPENDENT AUDITOR'S REPORT

To the members of Chongherr Investments Ltd

Report on the Financial Report

We have audited the accompanying financial report of Chongherr Investments Ltd, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion:

- (a) the financial report of Chongherr Investments Ltd is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the ability of the consolidated entity 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 consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report 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 2015. 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.

Opinion

In our opinion, the Remuneration Report of Chongherr Investments Ltd for the year ended 31 December 2015 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd



C R Jenkins
Director

Brisbane, 29 February 2016

CHONGHERR INVESTMENTS LTD
AUSTRALIAN STOCK EXCHANGE ADDITIONAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2015

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

The information was applicable as at 17 February 2016.

(a) Twenty largest shareholders

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

<i>Name of shareholder</i>	<i>No of Shares Held</i>	<i>% of Total</i>
Green Mountain Holdings Pty Ltd	56,584,357	43.46%
Mr Jingchun Liu	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	3,220,000	2.47%
Min Shi	2,997,635	2.30%
Mr Bin Zhuo	2,450,000	1.88%
Rangeworthy Pty Ltd (The Edgley Family Account)	2,100,000	1.61%
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%
Dr Gordon Bradley Elkingston	904,500	0.69%
Mr Trevor Neil Hay	889,434	0.68%
Mr Qingquan Liu	822,572	0.63%
GA & AM Leaver Investments Pty Ltd (GA & AM Leaver S/Fund A/C)	662,157	0.51%
Mr Timothy Frederick Berlet	600,000	0.46%
Citicorp Nominees Pty Limited	450,000	0.35%
Rabai Pty Ltd (Cristiano Super Fund A/C)	435,500	0.33%
Desibi Pty Ltd	375,000	0.29%
Portion held by 20 Largest Holders	125,689,212	96.53%

(b) Distribution of equity securities

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

<u>Range</u>	<u>No. of Holders</u>	<u>%</u>	<u>Quantity</u>	<u>%</u>
1-1000	25	21.19	16,012	0.01
1001 – 5,000	23	19.49	39,900	0.03
5,001 – 10,000	4	3.39	30,500	0.02
10,001 –100,000	32	27.12	1,835,965	1.41
100,001and Over	34	28.81	128,285,019	98.53
Total	118	100.00	130,207,396	100.00

Marketable Parcel

The number of shareholders holding less than a marketable parcel is 79.

Substantial Shareholders

There are four substantial shareholders: Green Mountain Holdings Pty Ltd, Mr Jingchun Liu, 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 10th March 2016 and had been approved by the Board

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

Recommendation 1.1

Companies should disclose the respective roles and responsibilities of its Board and Management and those matters expressly reserved to the Board and those delegate to the Management and disclose those functions.

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 character, experience, education and financial background.

All material information about each candidate to a decision whether or not to elect or re-elect a director will be contained in the Explanatory Memorandum 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 process for periodically evaluating the performance of its Board, its committees and individual 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 efficiencies or benefits would be gained by introducing a formal evaluation 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 process 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 responsible for overall performance of the Company. This scenario does not warrant a formal annual evaluation 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 Committee 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, experience 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 setting 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 experience and skills of the Directors are documented in the Annual Report.

Each director has the right of access 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 service of each director

<i>Name</i>	<i>Position</i>	<i>Independence</i>	<i>Length of service</i>
<i>Dehui Liu</i>	<i>Executive Director</i>	<i>Not independent- Mr Liu is a major shareholder, Managing Director and the Chair</i>	<i>17 years (Since 7 Oct 1999)</i>
<i>Zhen Lu</i>	<i>Non-executive Director</i>	<i>Independent</i>	<i>14 years (Since 19 Aug 2002)</i>
<i>Sophia Xiaoqing Kong</i>	<i>Executive Director</i>	<i>Not independent – Ms Sophia is the Company Secretary</i>	<i>13 years (Since 8 July 2003)</i>
<i>Shao Liu</i>	<i>Non-Executive Director</i>	<i>Independent</i>	<i>3 years (Since 18 Sept 2013)</i>

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 notwithstanding 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 independent judgements in the best interest of the Company and other stakeholders notwithstanding that he is not an independent director in accordance with the criteria set out in the recommendation.

Recommendation 2.6

The company should have a program for inducting new directors and provide appropriate 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 need. The Company encourages and recommends that all directors attend relevant external seminars and education programs to assist them in the effective 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 executives and employees.

The Company is committed to operating ethically, honestly, 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 appropriate 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 statemts, 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 Exchange (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 information to the Company Website once its release 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 facilitate 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 communication 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 encouraged to vote by appointing a proxy using the form included with the Notice of meeting. Shareholders are encouraged 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 committee or committees 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 committees at this time.

Risk management framework will be undertaken by the Board.

Recommendation 7.2

The Board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose 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 financial year 2015. Risk identification and assessment pertaining to health and safety had been constantly reviewed and monitored by the management team during the year. The Board is recognising the importance of risk management 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 function as it 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 sustainability 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 Remuneration Committee. 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 executives. The Board considered that it is more appropriate for Board meeting to address the matters that would ordinarily fall to a remuneration Committee. All matters of remuneration will continue be in accordance with Corporations Act requirements, especially in respect 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 remuneration 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 Directors report and notes to the financial statements in the Company's annual report each year.

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