

CHONGHERR INVESTMENTS LTD

ABN: 52 054 161 821

HALF YEAR FINANCIAL REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2005

CHONGHERR INVESTMENTS LTD – HALF YEAR REPORT

Directors' Report

Your directors submit their report for the half year ended 30 June 2005.

DIRECTORS

The names of the company's directors in office during the half year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Dehui Liu (Chairman & Managing Director)
Sophia Xiaoqing Kong
Zhen Lu
You He Wu (not re-elected at AGM on 12 April 2005)

ChongHerr's corporate governance statement is publicly available on the website. The Board remains aware of its corporate governance responsibilities.

The Board recognises the decision by shareholders at the Annual General Meeting not to re-appoint Mr Wu as a director. The Directors constantly monitor opportunities to widen the composition of the Board.

REVIEW AND RESULTS OF OPERATIONS

The ChongHerr Group experienced an increase in both revenue and profits during the half year. Sales revenue for the half year was \$1,824,883 (2004: \$641,401) representing an increase of 184% that was driven largely by the focus on expanding the customer base and markets.

Consolidated net profit after income tax for the half year was \$389,788 (2004: loss \$72,310), a significant increase on the previous corresponding half year, reflecting the aforementioned revenue growth as well as lower operational costs resulting from the various strategic initiatives undertaken over the last 2-3 years. These initiatives have covered major aspects of the ChongHerr Group's business including the identification of key products and markets, as well as improved quarrying production/operational methods.

The half year to 30 June 2005 is the first time the ChongHerr Group has reported under the Australian Equivalents of International Financial Reporting Standards ("AIFRS"). The changes to accounting policies resulting from the adoption of AIFRS are shown in Note 1 to the Financial Report. The comparative results for the 2004 half year previously reported under Australian Generally Accepted Accounting Principles ("AGAAP") have been restated to comply with AIFRS.

SANDSTONE QUARRYING AND PRODUCTION

Quarry production was steady and was primarily driven by orders received this period which had a focus on higher value premium blocks. The on-site factory, which was established with partial federal government funding, played a vital role in further processing the blocks into premium grades.

Cost control and efficiency improvement remain a top priority in managing the quarry. The Board and management will continue to closely monitor production costs and search for ways to improve productivity.

OVERSEAS SALES

Overseas representation for the company continues to grow this period. Two additional showrooms were opened in China to take advantage of the ever increasing popularity of sandstone building material in the country.

Marketing and sales efforts have translated into a record half year result. For the 6 months to 30 June 2005, sales revenue was up by 184% to \$1.8 million, while profit achieved a significant increase to \$389,788 from last year's loss of \$72,310 (AIFRS adjusted).

The significant increase in sales revenue and profit for the period has once again endorsed the company's strategy of targeting the emerging China market.

The company has always actively searched for ways to diversify its products to expand its customer base and to add value. In this period, the company signed and successfully completed a contract to supply sandstone murals to a customer in China. Feedback from customers has been pleasing.

CHONGHERR INVESTMENTS LTD – HALF YEAR REPORT

Directors' Report (continued)

SALES OUTLOOK

Sales prospects for the next 12 months are encouraging, with confirmed China orders until the end of 2005 exceeding \$900,000.

The Board remains positive about the future of the company given its current position in the Chinese market place. The company, being an Australian resource company with a proven product and strong business connections in China, is well positioned to cater for the demand resulting from the growth of the Chinese economy.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Ernst & Young as set out on the following page.

Signed in accordance with a resolution of the directors.

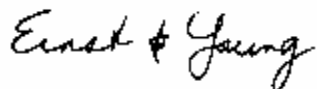
A handwritten signature in blue ink, appearing to read '刘德辉' (Liu Dehui).

Dehui Liu
Managing Director

12 September 2005

Auditors Independence Declaration to ChongHerr Investments Ltd

In relation to our review of the financial report of ChongHerr Investments Ltd for the half-year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Mike Reid
Partner
Brisbane
12 September 2005

CHONGHERR INVESTMENTS LTD – HALF YEAR REPORT

Condensed Income Statement FOR THE HALF YEAR ENDED 30 JUNE 2005

	<i>Notes</i>	<i>CONSOLIDATED</i>	
		<i>2005</i>	<i>2004</i>
		\$	\$
Revenue	2	1,824,883	641,401
Cost of sales		<u>(819,127)</u>	<u>(253,719)</u>
Gross profit		1,005,756	387,682
Other income	2	169,143	12,021
Other expenses	2	<u>(785,111)</u>	<u>(472,013)</u>
Profit before income tax		389,788	(72,310)
Income tax expense		<u>-</u>	<u>-</u>
Profit after tax	1(c)(xiv)	<u>389,788</u>	<u>(72,310)</u>
Net profit for the period		<u>389,788</u>	<u>(72,310)</u>
Net profit attributable to members of ChongHerr		389,788	(72,310)
<hr style="border: 1px solid black;"/>			
Earnings per share (cents per share)			
– basic for profit for the half year		0.340	(0.076)
– diluted for profit for the half year		0.340	(0.076)
– dividends paid per share	3	0.000	0.000
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CHONGHERR INVESTMENTS LTD – HALF YEAR REPORT

Condensed Balance Sheet

AS AT 30 JUNE 2005

CONSOLIDATED

	<i>Notes</i>	<i>As at 30 June 2005 \$</i>	<i>As at 31 Dec 2004 \$</i>
ASSETS			
Current Assets			
Cash and cash equivalents	4	124,500	197,184
Trade and other receivables	5	630,977	271,462
Inventories	6	599,251	518,671
Prepayments		13,049	28,530
Total Current Assets		<u>1,367,777</u>	<u>1,015,847</u>
Non-current Assets			
Other financial assets	7	113,244	70,474
Property, plant and equipment	8	1,119,717	1,127,121
Quarry and reserves	9	3,874,815	3,882,694
Total Non-current Assets		<u>5,107,776</u>	<u>5,080,289</u>
TOTAL ASSETS		<u>6,475,553</u>	<u>6,096,136</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		462,329	344,626
Interest-bearing loans	10	193,129	263,804
Provisions	12	11,994	19,882
Deferred Government grant income	11	25,700	25,700
Total Current Liabilities		<u>693,152</u>	<u>654,012</u>
Non-current Liabilities			
Interest-bearing loans	10	608,652	659,799
Provisions	12	172,686	158,200
Deferred Government grant income	11	187,050	199,900
Total Non-current Liabilities		<u>968,388</u>	<u>1,017,899</u>
TOTAL LIABILITIES		<u>1,661,540</u>	<u>1,671,911</u>
NET ASSETS		<u>4,814,013</u>	<u>4,424,225</u>
EQUITY			
Issued capital		18,218,667	18,218,667
Accumulated losses		<u>(13,404,654)</u>	<u>(13,794,442)</u>
TOTAL EQUITY		<u>4,814,013</u>	<u>4,424,225</u>

CHONGHERR INVESTMENTS LTD – HALF YEAR REPORT

Condensed Cash Flow Statement FOR THE HALF YEAR ENDED 30 JUNE 2005

	<i>CONSOLIDATED</i>	
	<i>Notes</i>	
	<i>2005</i>	<i>2004</i>
	<i>\$</i>	<i>\$</i>
Cashflows from operating activities		
Receipts from customers	1,462,279	906,332
Payments to suppliers and employees	(1,406,093)	(715,531)
Receipt of government grants	138,167	-
Interest & other finance costs	(34,746)	(30,259)
Net cashflows from operating activities	159,607	160,542
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	15,454	-
Payments for quarry, property, plant and equipment	(109,707)	(205,140)
Net cashflows used in investing activities	(94,253)	(205,140)
Cashflows from financing activities		
Proceeds from issue of shares	-	65,000
Proceeds from borrowings	-	24,280
Repayment of borrowings and lease liabilities	(138,038)	(12,988)
Net cashflows from/(used in) financing activities	(138,038)	76,292
Net increase/(decrease) in cash and cash equivalents	(72,684)	31,694
Cash and cash equivalents at beginning of period	197,184	87,566
Cash and cash equivalents at end of period	16	124,500
		119,260

CHONGHERR INVESTMENTS LTD – HALF YEAR REPORT

Condensed Statement of Changes in Equity
FOR THE HALF YEAR ENDED 30 JUNE 2005

	<i>Issued Capital</i>	<i>CONSOLIDATED Accumulated Losses</i>	<i>Total equity</i>
	\$	\$	\$
At 1 January 2004	17,619,624	(14,132,947)	3,486,677
Profit/(loss) for the period	-	(72,310)	(72,310)
Issue of share capital	65,000	-	65,000
At 30 June 2004	17,684,624	(14,205,257)	3,479,367
At 1 January 2005	18,218,667	(13,794,442)	4,424,225
Profit for the period	-	389,788	389,788
At 30 June 2005	18,218,667	(13,404,654)	4,814,013

Notes to the Half Year Financial Statements FOR THE HALF YEAR ENDED 30 JUNE 2005

1 BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT

The financial report covers the consolidated entity of ChongHerr Investments Ltd and its controlled entity. ChongHerr Investments Ltd is a listed public company incorporated and domiciled in Australia.

The half year financial report complies with Australian Accounting Standards, which includes Australian equivalents to International Financial Reporting Standards ('AIFRS'). Until 31 December 2004 the financial statements had been prepared in accordance with previous Australian Generally Accepted Accounting Principles ("AGAAP"). AGAAP differs in certain respects from AIFRS.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. The half year financial report should be read in conjunction with the annual financial report of ChongHerr Investments Ltd ("ChongHerr") as at 31 December 2004, which was prepared based on Australian Accounting Standards applicable before 1 January 2005 ('AGAAP').

It is also recommended that the half year financial report be considered together with any public announcements made by ChongHerr Investments Ltd and its controlled entities ("ChongHerr Group") during the half year ended 30 June 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half year financial report has been prepared on a historical cost basis, except where otherwise stated.

For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

(b) Statement of compliance

The half year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first half year financial report prepared based on AIFRS and comparatives for the half year ended 30 June 2004 and full-year ended 31 December 2004 have been restated accordingly. A summary of the significant accounting policies of the ChongHerr Group under AIFRS is disclosed in Note 1(c) below.

Reconciliations of:

- AIFRS equity as at 1 January 2004, 30 June 2004 and 31 December 2004; and
 - AIFRS profit for the half year 30 June 2004 and full year 31 December 2004,
- to the balances reported in the 30 June 2004 half year report and 31 December 2004 full-year financial report prepared under AGAAP are detailed in Note 1(e) below.

CHONGHERR INVESTMENTS LTD – HALF YEAR REPORT

Notes to the Half Year Financial Statements FOR THE HALF YEAR ENDED 30 JUNE 2005

1 BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of the ChongHerr Group.

The financial statements of subsidiaries are prepared for the same reporting period as ChongHerr, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

Controlled entities are consolidated from the date on which control is transferred to the ChongHerr Group and cease to be consolidated from the date on which control is transferred out of the ChongHerr Group.

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

(ii) Foreign currency translation

Both the functional and presentation currency of the ChongHerr Group is Australian dollars (A\$).

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

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

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

CHONGHERR INVESTMENTS LTD – HALF YEAR REPORT

Notes to the Half Year Financial Statements FOR THE HALF YEAR ENDED 30 JUNE 2005

1 BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(iii) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a reducing balance basis over the estimated useful life of the asset (ranging from 3-30 years).

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. 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.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(iv) Quarry and reserves

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

When production commences, the accumulated costs are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review of recoverable amount is undertaken to determine the appropriateness of continuing to carry forward costs.

Costs of restoration are provided over the life of the quarry from when the obligation becomes probable (usually from when evaluation commences) and are charged against profit. Restoration costs include the dismantling and removal of plant, equipment and building structures, waste removal, and rehabilitation in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis.

Any changes in the estimates for 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 future legislation.

CHONGHERR INVESTMENTS LTD – HALF YEAR REPORT

Notes to the Half Year Financial Statements FOR THE HALF YEAR ENDED 30 JUNE 2005

1 BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(v) Recoverable amount of assets

At each reporting date, the ChongHerr Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the ChongHerr 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.

(vi) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows: Finished goods and work-in-progress – cost 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.

(vii) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(viii) Cash and cash equivalents

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

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

CHONGHERR INVESTMENTS LTD – HALF YEAR REPORT

Notes to the Half Year Financial Statements FOR THE HALF YEAR ENDED 30 JUNE 2005

1 BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(ix) Interest-bearing loans

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

After initial recognition, interest-bearing loans are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

(x) Provisions

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(xi) Leases

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

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

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

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

CHONGHERR INVESTMENTS LTD – HALF YEAR REPORT

Notes to the Half Year Financial Statements FOR THE HALF YEAR ENDED 30 JUNE 2005

1 BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(xii) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the ChongHerr 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.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Rental income

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

(xiii) Government grants

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

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

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

(xiv) Income tax

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

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

The ChongHerr 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 ChongHerr 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.

CHONGHERR INVESTMENTS LTD – HALF YEAR REPORT

Notes to the Half Year Financial Statements FOR THE HALF YEAR ENDED 30 JUNE 2005

1 BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(xv) 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 balance sheet.

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

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

(d) AASB 1 Transitional exemptions

The ChongHerr Group has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows and where applicable:

Business combinations

AASB 3 'Business Combinations' was not applied retrospectively to past business combinations (i.e. business combinations that occurred before the date of transition to AIFRS).

Designation of previously recognised financial instruments

Financial instruments were designated as financial assets or liabilities at fair value through profit or loss or as available-for-sale at the date of transition to AIFRS.

Share-based payment transactions

AASB 2 'Share-Based Payments' is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

Exemption from the requirement to restate comparative information for AASB 132 and AASB 139

The ChongHerr Group has not elected to adopt this exemption and has applied AASB 132 'Financial Instruments: Presentation and Disclosure' and AASB 139 'Financial Instruments: Recognition and Measurement' to its comparative information.

Notes to the Half Year Financial Statements FOR THE HALF YEAR ENDED 30 JUNE 2005

1 BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT (continued)

(e) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below.

(i) Reconciliation of total equity as presented under AGAAP to that under AIFRS

	<i>31-Dec-04</i>	<i>30-Jun-04</i>	<i>31-Dec-03</i>
	\$	\$	\$
Total equity under AGAAP	4,808,025	3,877,967	3,747,927
<i>Adjustments to equity:</i>			
Deferral of government grant (A)	(257,000)	(257,000)	(114,000)
Release of government grant (A)	31,400	12,550	2,850
Provision for quarry restoration (B)	(158,200)	(154,150)	(150,100)
Total equity under AIFRS	<u>4,424,225</u>	<u>3,479,367</u>	<u>3,486,677</u>

(A) Government grants relating to an asset were recognised as income under AGAAP. Such amounts under AIFRS are recognised as deferred income and released to the income statement over time (see policy Note 1(c) (xiii)).

(B) The company has an obligation to undertake certain quarry restoration work, to a minimum value. Under AGAAP that amount was not brought to account. Under AIFRS the restoration obligation needs to be recognised at an earlier time (see policy Note 1(c)(iv)).

(C) The tax effect of the adjustments above has not been brought to account as deferred income tax amounts have not been recognised for all temporary differences (see policy Note 1(c)(xiv)).

CHONGHERR INVESTMENTS LTD – HALF YEAR REPORT

Notes to the Half Year Financial Statements FOR THE HALF YEAR ENDED 30 JUNE 2005

1 BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT (continued)

(e) Impact of adoption of AIFRS (continued)

(ii) Reconciliation of profit after tax under AGAAP to that under AIFRS

	<i>Year ended 31-Dec-04</i>	<i>Half year ended 30-Jun-04</i>
	\$	\$
Profit after tax as previously reported	461,055	65,040
Deferral of government grant (A)	(143,000)	(143,000)
Release of government grant (A)	28,550	9,700
Quarry restoration provision (A)	(8,100)	(4,050)
Profit after tax under AIFRS	<u>338,505</u>	<u>(72,310)</u>

(A) See Note 1(e)(i) above.

iii) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

CONSOLIDATED
2005 2004
\$ \$

2 REVENUE AND EXPENSES

(a) Specific Items

Profit before income tax expense includes the following revenues and expenses:

(i) Revenue

Sale of goods	1,793,356	637,295
Rental income	31,527	4,106
	<u>1,824,883</u>	<u>641,401</u>

(ii) Other income

Government grants	151,017	9,700
Gain on disposal of property, plant and equipment	15,454	-
Other income	2,672	2,321
	<u>169,143</u>	<u>12,021</u>

(iii) Expenses

Selling and distribution	508,234	245,775
Corporate and administration	242,131	195,979
Finance costs	34,746	30,259
	<u>785,111</u>	<u>472,013</u>

(iv) Specific expense items

Depreciation and amortisation	128,230	56,851
Quarry restoration provision	6,700	4,050
Amortisation of quarry	12,976	13,682
Employee benefits	330,041	293,229
Bad debts	5,761	-
Rental expense on operating leases	89,093	155,544
Foreign currency losses	-	-

Notes to the Half year Financial Statements
FOR THE HALF YEAR ENDED 30 JUNE 2005

	<i>CONSOLIDATED</i>	
	<i>2005</i>	<i>2004</i>
	\$	\$
3 DIVIDENDS PAID AND PROPOSED		
Equity dividends on ordinary shares:		
(a) Dividends paid during the half year	-	-
(b) Dividends proposed and not recognised as a liability	-	-
	-	-
4 CASH AND CASH EQUIVALENTS		
Cash on hand and at bank	124,500	197,184
5 TRADE AND OTHER RECEIVABLES		
Trade debtors	629,102	263,490
Provision for doubtful debts	-	-
	629,102	263,490
Other receivables	1,875	7,972
	630,977	271,462
6 INVENTORIES		
Finished goods	599,251	518,671
7 OTHER FINANCIAL ASSETS (Non-Current)		
Security deposits	113,244	70,474
8 PROPERTY, PLANT & EQUIPMENT		
Quarry land	141,042	141,042
Owned plant & equipment	1,366,734	1,874,570
Accumulated depreciation	(767,807)	(1,333,014)
	598,927	541,556
Leased plant & equipment	541,291	525,075
Accumulated amortisation	(161,543)	(80,552)
	379,748	444,523
	1,119,717	1,127,121
9 QUARRY AND RESERVES		
Capitalised expenditure on acquisition, evaluation and development		
- at Directors Valuation 1996 (deemed cost)	4,672,028	4,672,028
- at cost	219,777	214,680
	4,891,805	4,886,708
Accumulated amortisation	(1,016,990)	(1,004,014)
	3,874,815	3,882,694

**Notes to the Half Year Financial Statements
FOR THE HALF YEAR ENDED 30 JUNE 2005**

	<i>CONSOLIDATED</i>	
	<i>2005</i>	<i>2004</i>
	\$	\$
10 INTEREST BEARING LOANS		
Current		
Unsecured loans	101,287	151,535
Secured finance lease facilities	91,842	112,269
	<u>193,129</u>	<u>263,804</u>
Non-current		
Unsecured loans from directors	351,303	365,140
Secured finance lease facilities	257,349	294,659
	<u>608,652</u>	<u>659,799</u>
11 DEFERRED GOVERNMENT GRANT INCOME		
Current	<u>25,700</u>	<u>25,700</u>
Non-current	<u>187,050</u>	<u>199,900</u>
12 PROVISIONS		
Current		
Employee benefits	<u>11,994</u>	<u>19,882</u>
Non-current		
Employee benefits	7,786	-
Quarry restoration	164,900	158,200
	<u>172,686</u>	<u>158,200</u>

13 SEGMENT REPORTING

The ChongHerr Group operates solely within the sandstone quarrying industry in Queensland. A significant amount of product is exported to south-east Asia.

Business segments

The following table presents the revenue and profit/(loss) information regarding geographical segments for the half year periods ended 30 June 2005 and 30 June 2004.

	<i>South-east Asia \$</i>	<i>Australia and other \$</i>	<i>Total \$</i>
30 June 2005			
Segment revenue	1,737,308	87,575	1,824,883
Segment result	447,523	41,162	488,685
Unallocated expenses	-	-	(98,897)
30 June 2004			
Segment revenue	524,679	116,722	641,401
Segment result	73,921	70,840	144,761
Unallocated expenses	-	-	(217,071)

Notes to the Half Year Financial Statements FOR THE HALF YEAR ENDED 30 JUNE 2005

14 CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets.

15 EVENTS AFTER THE BALANCE SHEET DATE

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

16 ADDITIONAL INFORMATION

Reconciliation of Cash

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprise the following:

	<i>CONSOLIDATED</i>	
	<i>2005</i>	<i>2004</i>
	\$	\$
Cash at bank and in hand	124,500	119,260
Short-term deposits	-	-
Bank overdraft	-	-
	<hr/>	<hr/>
	124,500	119,260

CHONGHERR INVESTMENTS LTD– HALF YEAR REPORT

Directors' Declaration

In accordance with a resolution of the directors of ChongHerr Investments Ltd, I state that:

In the opinion of the directors:

- a) the financial statements and notes of the consolidated entity:
 - (i) give a true and fair view of the financial position as at 30 June 2005 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 134 “Interim Financial Reporting” and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Dehui Liu
Managing Director

12 September 2005

Independent review report to members of ChongHerr Investments Ltd

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity and accompanying notes to the financial statements for the consolidated entity comprising both ChongHerr Investments Ltd (the company) and the entities it controlled during the period, and the directors' declaration for the company, for the period ended 30 June 2005.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

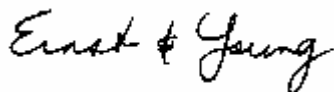
Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our review of the financial report, we were engaged to undertake additional services. The provision of these services has not impaired our independence.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising ChongHerr Investments Ltd and the entities it controlled during the period is not in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity at 30 June 2005 and of its performance for the period ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 “Interim Financial Reporting” and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



Mike Reid
Partner
Brisbane
12 September 2005