

CHONGHERR INVESTMENTS LTD

ABN: 52 054 161 821

FINANCIAL REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2006

CHONGHERR INVESTMENTS LTD – HALF YEAR REPORT

Directors' Report

Your directors submit their report together with the consolidated financial report for the half year ended 30 June 2006, and the review report thereon.

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
Hon Tak Tsoi

ChongHerr's corporate governance statement is publicly available on the company website.

REVIEW AND RESULTS OF OPERATIONS

The ChongHerr Group sales revenue for the half year was \$1,451,745 (2005: \$1,824,883) representing a decrease of 20% that was largely due to soft sales conditions experienced in the period. The severe weather conditions experienced by many parts of southern China have impacted the area's building industries, resulting in a sluggish building material market. However the directors are expecting sales conditions to improve in the rest of the year.

Consolidated net profit after income tax for the half year was \$96,844 (2005: profit \$389,788), a significant decrease on the previous corresponding half year, reflecting the aforementioned decrease in revenue. The ChongHerr Group has in recent years focussed its strategic efforts on sales growth and cost control. 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. Whilst these initiatives have contributed to an overall improved financial position, the current half year revenue decrease has highlighted the need to further diversify into new products and to develop new markets.

SANDSTONE QUARRYING AND PRODUCTION

Quarry production cost per ton increased moderately compared with 2005 due to a poorer recovery rate in blocks. The concentrated rehabilitation work undertaken during January and February 2006 has also increased this period's quarry costs. However restoration completed this period should significantly reduce the future rehabilitation liability under the mining lease.

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 AND MARKETING

Overseas representation for the company continued to grow in this period. The ChongHerr Group attended 3 major national trade shows in China. Advertising and marketing expenditure represented a 600% increase for the period compared with the previous corresponding period. This has reflected the Board's determination in targeting the emerging Chinese market for the long term.

The company also commissioned The Building Material Research Institute of Guangdong Province in China to complete a technical and physical characteristics analysis on ASI sandstone as in comparison with marble and granite. The analysis has reported many favourable findings about sandstone, endorsing it as a safe and high quality building material. This independent report has proven to be a valuable reference in sales and marketing.

This half year's profitable result continues the positive financial trend being achieved by the company since December 2003 and has endorsed the board's belief that China is a most important market and is vital to the long-term success of the company.

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 and mosaic tiles to a customer in China. Feedback from customers has been pleasing.

CHONGHERR INVESTMENTS LTD – HALF YEAR REPORT

Directors' Report (continued)

SALES OUTLOOK

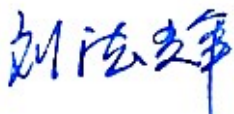
The Board expects the sales to pick up momentum in the next 12 months, with confirmed China orders until the end of 2006 exceeding \$1.6 million.

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

The lead auditor's independence declaration is set out on page 4 and forms part of this directors' report for the half year ended 30 June 2006.

Signed in accordance with a resolution of the directors.



Dehui Liu
Managing Director

31 August 2006



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of ChongHerr Investments Limited

To: the directors of ChongHerr Investments Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the financial period ended 30 June 2006 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'MLG'.

KPMG

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

M L Gray
Partner

Brisbane

31 August 2006

CHONGHERR INVESTMENTS LTD – HALF YEAR REPORT

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE HALF YEAR ENDED 30 JUNE 2006

	<i>Notes</i>	<i>CONSOLIDATED</i>	
		<i>30 June 2006 \$</i>	<i>30 June 2005 \$</i>
Revenue			
Sale of goods		1,431,495	1,793,356
Rental income		20,250	31,527
		<u>1,451,745</u>	<u>1,824,883</u>
Cost of sales		<u>(782,084)</u>	<u>(819,127)</u>
Gross profit		669,661	1,005,756
Other income	2(i)	100,898	169,143
Selling and distribution expenses		(433,945)	(508,234)
Corporate and administration expenses		(211,555)	(242,131)
Finance costs		<u>(28,215)</u>	<u>(34,746)</u>
Profit before income tax		96,844	389,788
Income tax expense		-	-
Profit after income tax		<u>96,844</u>	<u>389,788</u>
Net profit for the period		<u>96,844</u>	<u>389,788</u>
Net profit attributable to shareholders of the company		<u>96,844</u>	<u>389,788</u>
		<i>Cents per share</i>	<i>Cents per share</i>
Earnings per share (cents per share)			
– basic earnings per share		0.084	0.340
– diluted earnings per share		0.084	0.340
– dividends paid per share	3	0.000	0.000

The Condensed Consolidated Interim Income Statement is to be read in conjunction with the notes to the condensed consolidated interim financial report set out on pages 9 to 21.

CHONGHERR INVESTMENTS LTD – HALF YEAR REPORT

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 JUNE 2006

	<i>Issued Capital</i> \$	<i>CONSOLIDATED Accumulated Losses</i> \$	<i>Total equity</i> \$
At 1 January 2005	18,218,667	(13,794,442)	4,424,225
Profit/(loss) for the period	-	389,788	389,788
At 30 June 2005	<u>18,218,667</u>	<u>(13,404,654)</u>	<u>4,814,013</u>
At 1 January 2006	18,218,667	(13,059,909)	5,158,758
Profit for the period	-	96,844	96,844
At 30 June 2006	<u>18,218,667</u>	<u>(12,963,065)</u>	<u>5,255,602</u>

At 30 June 2006 ChongHerr Investments Limited has 114,608,952 ordinary shares on issue (2005: 114,608,952).

The Condensed Consolidated Interim Statement Of Changes In Equity is to be read in conjunction with the notes to the condensed consolidated interim financial report set out on pages 9 to 21.

CHONGHERR INVESTMENTS LTD – HALF YEAR REPORT

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT 30 JUNE 2006

<i>CONSOLIDATED</i>			
	<i>Notes</i>	<i>As at 30 June 2006 \$</i>	<i>As at 31 Dec 2005 \$</i>
ASSETS			
Current Assets			
Cash and cash equivalents	4	90,210	82,897
Trade and other receivables	5	949,025	898,333
Inventories	6	584,677	553,386
Prepayments		23,906	43,429
Total Current Assets		<u>1,647,818</u>	<u>1,578,045</u>
Non-current Assets			
Other financial assets	7	112,142	111,441
Property, plant and equipment	8	1,033,639	1,106,314
Quarry and reserves	9	3,838,849	3,848,076
Total Non-current Assets		<u>4,984,630</u>	<u>5,065,831</u>
TOTAL ASSETS		<u>6,632,448</u>	<u>6,643,876</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		353,144	328,888
Loans and borrowings	10	144,265	185,272
Provisions	11	25,722	24,565
Deferred Government grant	12	42,371	42,371
Total Current Liabilities		<u>565,502</u>	<u>581,096</u>
Non-current Liabilities			
Loans and borrowings	10	554,797	585,222
Provisions	11	129,433	170,500
Deferred Government grant	12	127,114	148,300
Total Non-current Liabilities		<u>811,344</u>	<u>904,022</u>
TOTAL LIABILITIES		<u>1,376,846</u>	<u>1,485,118</u>
NET ASSETS		<u>5,255,602</u>	<u>5,158,758</u>
EQUITY			
Issued capital		18,218,667	18,218,667
Accumulated losses		(12,963,065)	(13,059,909)
TOTAL EQUITY		<u>5,255,602</u>	<u>5,158,758</u>

The Condensed Consolidated Interim Balance Sheet is to be read in conjunction with the notes to the condensed consolidated interim financial report set out on pages 9 to 21.

CHONGHERR INVESTMENTS LTD – HALF YEAR REPORT

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 JUNE 2006

	<i>CONSOLIDATED</i>	
	<i>30 June</i>	<i>30 June</i>
<i>Notes</i>	<i>2006</i>	<i>2005</i>
	\$	\$
Cashflows from operating activities		
Receipts from customers	1,491,952	1,462,279
Payments to suppliers and employees	(1,328,805)	(1,406,093)
Receipt of government grants	-	138,167
Interest & other finance costs	(28,215)	(34,746)
Net cashflows from operating activities	134,932	159,607
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	1,000	15,454
Payments for quarry, property, plant and equipment	(18,688)	(109,707)
Net cashflows used in investing activities	(17,688)	(94,253)
Cashflows from financing activities		
Repayment of borrowings and lease liabilities	(109,931)	(138,038)
Net cashflows from/(used in) financing activities	(109,931)	(138,038)
Net increase/(decrease) in cash and cash equivalents	7,313	(72,684)
Cash and cash equivalents at beginning of period	82,897	197,184
Cash and cash equivalents at end of period	90,210	124,500

The Condensed Consolidated Interim Statement Of Cash Flows is to be read in conjunction with the notes to the condensed consolidated interim financial report set out on pages 9 to 21.

CHONGHERR INVESTMENTS LTD – HALF YEAR REPORT

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2006

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 (the “ChongHerr Group”). ChongHerr Investments Ltd is a listed public company incorporated and domiciled in Australia.

The nature of the operations and principal activities of the ChongHerr Group are described in Note 13.

(a) Statement of compliance

The half year financial report is a general-purpose financial report, which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards including AASB 134 “Interim Financial Reporting” and other mandatory professional reporting requirements. The consolidated condensed interim financial report of the ChongHerr Group also complies with IFRS and interpretations adopted by the International Accounting Standards Board.

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 as at 31 December 2005.

It is also recommended that the half year financial report be considered together with any public announcements made by ChongHerr during the half year ended 30 June 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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

The financial report was authorised for issue in accordance with a resolution of the Board of Directors on 31 August 2006.

CHONGHERR INVESTMENTS LTD – HALF YEAR REPORT

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2006

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

(b) Summary of significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 31 December 2005, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 January 2006, as described in Note 18.

(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 CONSOLIDATED CONDENSED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2006

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

(b) 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. Where items of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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.

Impairment losses are recognised in the income statement.

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 CONSOLIDATED CONDENSED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2006

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

(b) Summary of significant accounting policies (continued)

(v) Inventories

Inventories, being finished goods and work in progress, 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 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 Statement Of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(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.

CHONGHERR INVESTMENTS LTD – HALF YEAR REPORT

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2006

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

(b) Summary of significant accounting policies (continued)

(x) Provisions and employee benefits

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.

Employee benefits

In respect of employee benefits, liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liability is settled.

The liability for long service leave is recognised in the provision for employee benefits and measured at the present value of the expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

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

(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 CONSOLIDATED CONDENSED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2006

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

(b) 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.

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 CONSOLIDATED CONDENSED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2006

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

(b) 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.

(c) Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial report as at and for the year ended 31 December 2005.

CHONGHERR INVESTMENTS LTD – HALF YEAR REPORT

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2006

	<i>CONSOLIDATED</i>	
	<i>30 June</i>	<i>30 June</i>
	<i>2006</i>	<i>2005</i>
	\$	\$
2 REVENUE AND EXPENSES		
Profit before income tax expense includes the following specific revenues and expenses:		
(i) Other income		
Government grants	21,186	151,017
Gain on disposal of property, plant and equipment	-	15,454
Other income	79,712	2,672
	<u>100,898</u>	<u>169,143</u>
(ii) Specific expense items		
Depreciation	115,943	128,230
Quarry restoration provision charge/(write-back)	(41,380)	6,700
Amortisation of quarry	18,088	12,976
Employee benefits	339,943	330,041
Bad debts	-	5,761
Rental expense on operating leases	73,489	89,093
Foreign currency losses/(gains)	(866)	-
Loss on disposal of property, plant and equipment	557	-
	<u>557</u>	<u>-</u>
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	-	-
	<u>-</u>	<u>-</u>

CHONGHERR INVESTMENTS LTD – HALF YEAR REPORT

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2006

	<i>CONSOLIDATED</i>	
	<i>As at 30 June 2006 \$</i>	<i>As at 31 December 2005 \$</i>
4 CASH AND CASH EQUIVALENTS		
Cash on hand and at bank	90,210	82,897
5 TRADE AND OTHER RECEIVABLES		
Trade debtors	949,025	897,381
Provision for doubtful debts	-	-
	949,025	897,381
Other receivables	-	952
	949,025	898,333
6 INVENTORIES		
Finished goods and work in progress	584,677	553,386
7 OTHER FINANCIAL ASSETS (Non-Current)		
Security deposits	112,142	111,441
Security deposits include a term deposit of \$42,130 which is held as security by the Commonwealth Bank of Australia for its guarantee of the company's restoration obligations to the Department Of Natural resources And Mining.		
8 PROPERTY, PLANT & EQUIPMENT		
Quarry land	141,042	141,042
Owned plant & equipment	1,398,848	1,391,748
Accumulated depreciation	(900, 838)	(839,626)
	498,010	552,122
Leased plant & equipment	656,292	621,292
Accumulated amortisation	(261,705)	(208,142)
	394,587	413,150
	1,033,639	1,106,314

Acquisitions and disposals

During the six months ended 30 June 2006 the consolidated entity acquired assets with a cost of \$44,826 (six months ended 30 June 2005: \$104,610).

Assets with a carrying amount of \$1,557 were disposed of during the six months ended 30 June 2006 (six months ended 30 June 2005: \$ nil), resulting in a loss on disposal of \$557 ((six months ended 30 June 2005: gain of \$15,454) which is included in other income.

CHONGHERR INVESTMENT LTD – HALF YEAR REPORT

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2006

	<i>CONSOLIDATED</i>	
	<i>As at</i>	<i>As at</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2006</i>	<i>2005</i>
	<i>\$</i>	<i>\$</i>
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	237,388	228,527
	<u>4,909,416</u>	<u>4,900,555</u>
Accumulated amortisation	(1,070,567)	(1,052,479)
	<u>3,838,849</u>	<u>3,848,076</u>
10 LOANS AND BORROWINGS		
Current		
Unsecured loans	40,834	81,621
Secured finance lease facilities	103,431	103,651
	<u>144,265</u>	<u>185,272</u>
Non-current		
Unsecured loans from directors	277,579	293,986
Secured finance lease facilities	277,218	291,236
	<u>554,797</u>	<u>585,222</u>
During the period to 30 June 2006, a finance lease was entered into for an amount of \$34,999. An amount of \$109,931 was repaid during the period ended 30 June 2006 in respect of loans and finance leases.		
11 PROVISIONS		
Current		
Employee benefits	25,722	24,565
Non-current		
Employee benefits	3,663	3,350
Quarry restoration	125,770	167,150
	<u>129,433</u>	<u>170,500</u>
12 DEFERRED GOVERNMENT GRANT INCOME		
Current	42,371	42,371
Non-current	127,114	148,300

CHONGHERR INVESTMENT LTD – HALF YEAR REPORT

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2006

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.

Geographical segments

The following table presents the revenue and profit/(loss) information regarding geographical segments for the six month periods ended 30 June 2006 and 30 June 2005

	<i>South-east Asia</i>	<i>Australia</i>	<i>Total</i>
	\$	\$	\$
30 June 2006			
Segment revenue	1,341,415	110,330	1,451,745
Segment result	172,662	49,671	222,333
Unallocated expenses			(125,489)
			<u>96,844</u>
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)
			<u>389,788</u>

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.

CHONGHERR INVESTMENT LTD – HALF YEAR REPORT

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2006

16 RELATED PARTY DISCLOSURES

The total amount of transactions entered into with key management personnel for the six months ended 30 June 2006 and 2005 are:

	<i>30 June 2006</i>	<i>30 June 2005</i>
	\$	\$
a) Sales to director related parties: Interests associated with Mr Z Lu	-	816,990
b) Purchases from director related parties: Interests associated with Mr Z Lu	-	333,246
c) Loans from director related parties: Interests associated with Mr H Tsoi		
- loan balance	151,068	194,755
- interest accrued	4,523	4,882
- loan repayments	22,858	-
Messrs D Liu & Z Lu		
- loan balance	126,511	156,547
- interest accrued	3,371	4,068
- loan repayments	1,441	22,789

All transactions with related parties are made in an arm's length basis under normal commercial terms.

17 ECONOMIC DEPENDENCY

The ChongHerr group was dependent on Shenzhen Helidon Sandstone Ltd for a significant portion of its sales in the current half-year.

CHONGHERR INVESTMENT LTD – HALF YEAR REPORT

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2006

18 CHANGES IN ACCOUNTING POLICIES

Australian Accounting Standards and UIG interpretations that have recently been amended and are effective from 1 January 2006 are outlined in the table below.

AASB Amendment	AASB Standard Affected	Nature of Impact	Application Date of the Standard	Application Date for the Group
2005-1	AASB 139	No impact	1 January 2006	1 January 2006
2005-5	AASB 1, AASB 139	No impact	1 January 2006	1 January 2006
2005-6	AASB 3	No impact	1 January 2006	1 January 2006
2005-9	AASB 4, AASB 132, AASB 139& AASB 1023	No impact	1 January 2006	1 January 2006
2006-1	AASB 121	No impact	1 January 2006	1 January 2006
2005-4	AASB 1, AASB 132, AASB 139, AASB 1023 & AASB 1038	No impact	1 January 2006	1 January 2006
UIG4	UIG 4	No impact	1 January 2006	1 January 2006

CHONGHERR INVESTMENTS LTD– HALF YEAR REPORT


Directors' Declaration

In the opinion of the directors of ChongHerr Investments Ltd (“the Company”):

- a) the financial statements and notes of the consolidated entity set out on pages 5 to 21 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2006 and of its performance as represented by the results of its operations and cashflows for the half year ended on that date; and
 - (ii) complying 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.

Signed in accordance with a resolution of the directors

Dated this 31st day of August 2006.



Dehui Liu
Managing Director



Independent review report to the members of ChongHerr Investments Limited

Scope

We have reviewed the financial report of ChongHerr Investments Limited ("the Company") for the half-year ended 30 June 2006, consisting of the condensed consolidated interim statement of income, statement of changes in equity, balance sheet, statement of cash flows, accompanying notes 1 to 17 and the directors' declaration set out on pages 5 to 22. The financial report includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of the half-year or from time to time during the half-year. The Company's directors are responsible for the financial report.

We have performed an independent review of the financial report 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 Australian Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows and in order for the Company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. 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.



Independent review report to the members of ChongHerr Investments Limited (continued)

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of ChongHerr Investments Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2006 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

A handwritten signature in black ink, appearing to read 'M L Gray', written over the printed name.

KPMG

M L Gray
Partner

Brisbane

31 August 2006