

# China West International Holdings Limited ACN 009 230 111

## Interim Financial Report – 31 December 2008

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Your directors present this interim report on the consolidated entity (referred hereafter as "the CWH Group"), consisting of China West International Holdings Limited and its controlled entities for the half year ended 31 December 2008.

#### **Directors**

The following persons were directors of China West International Holdings Limited ("the Company") during the financial period and up to the date of this report unless otherwise stated:

Bao Cheng Luo	- appointed 13 August 2003
Hock Guan Charles Sher	- appointed 13 August 2003
Ping Mo	- appointed 13 August 2003 and resigned 22 September 2008
Ge Yang	- appointed 13 August 2003 and resigned 22 September 2008
Kim Weng Chong	- appointed 25 August 1997 and resigned 26 December 2008
John McLenaghan	- appointed 16 November 2005 and resigned 2 April 2009
Ernest Wong	- appointed 9 October 2008
Xie Ke Qin	- appointed 22 September 2008
Fu Man Chang	- appointed 22 September 2008
Wang Wei Guo	- appointed 9 February 2009
Douglas Sutherland	- appointed 30 April 2009

#### **Company Secretary**

The Company secretary is Guy Robertson, who was appointed on 30 April 2009.

#### **Principal Activities**

The principal activities of the CWH Group during the half year were:

- manufacturing and selling of building products in China
- holding investments in Australian Listed companies

#### **Dividends**

The directors of the CWH Group recommend that no dividend be paid in respect of the half year ended 31 December 2008 (2007: Nil).

#### **Review of Operations**

##### **China**

From 1 July 2008 to 31 December 2008, Chongqing Yuao produced 150,575 tons of cement (2007: 122,752 tons of cement), achieving a turnover of RMB 45,580,000 (equivalent to AUD 8,739,509) (2007: RMB 26,452,700 - equivalent to AUD 4,061,574).

##### **Malaysia and Singapore**

The Malaysian and Singapore subsidiaries are presently non-operating.

#### **Operating Results**

The net profit after tax of the CWH Group for the half year ended 31 December 2008 was \$1,641,249 (2007: \$368,599). Income tax expense for the half year was \$216,666 (2007: \$119,873). In the opinion of the directors, the operating results of the CWH Group for the half year ended 31 December 2008 were not affected by any item, transaction or event of a material or unusual nature.

#### **Significant Changes in the State of Affairs**

The Company was suspended from trading on 25 August 2008 and remains suspended as at the date of this interim report.

There were no other significant changes in the state of affairs during the half year.

**Matters Subsequent to the End of the Half Year**

There are no matters or circumstances that have arisen since 31 December 2008 which have significantly affected, or may significantly affect the CWH Group's operations in future financial years, the results of those operations in future financial years, or the CWH Group's state of affairs in future financial years.

**Likely Developments and Expected Results of Operations**

The Directors are of the opinion that further or specific information as to likely developments in the operations of the CWH Group or the expected results of those operations is likely to result in unreasonable prejudice to the CWH Group in future years and has not been included in this Interim Report.

Signed in accordance with a resolution of the directors:



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Bao Cheng Luo  
28 August 2009



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

To: the directors of China West International Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2008 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 be 'M. Epper'.

KPMG

A handwritten signature in black ink, appearing to be 'Mark Epper'.

Mark Epper  
*Partner*

Sydney  
28 August 2009

**China West International Holdings Limited**  
**Consolidated Income Statements**  
For the Half Year Ended 31 December 2008

		<b>Consolidated</b>	
		<b>2008</b>	<b>2007</b>
		\$	\$
	<b>Notes</b>		
<b>Continuing operations</b>			
Sales revenue	3	8,739,509	4,095,329
Cost of sales		(5,164,900)	(2,979,475)
<b>Gross profit</b>		<b>3,574,609</b>	1,115,854
Other income	3	638,686	514,258
Distribution expenses		(111,184)	(136,653)
Personnel costs		(652,775)	(251,774)
Travel costs		(237,857)	(70,527)
Other administrative expenses		(1,029,595)	(484,364)
Fair value loss on investments		(235,620)	(27,351)
Loss arising from share trading		-	(78,415)
<b>Results from operating activities</b>		<b>1,946,264</b>	581,028
Finance costs		(88,349)	(92,556)
<b>Profit before income tax</b>		<b>1,857,915</b>	488,472
Income tax expense		(216,666)	(119,873)
<b>Profit attributable to members of China West International Holdings Limited</b>		<b>1,641,249</b>	368,599
<b>Earnings per share</b>			
Basic and diluted earnings per share (cents)		2.33	0.50

The above Consolidated Income Statements should be read in conjunction with the accompanying notes.

**China West International Holdings Limited and Controlled Entities**  
**Consolidated Balance Sheets**  
As at 31 December 2008

	Consolidated	
	31 December 2008	30 June 2008
	\$	\$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	117,431	93,569
Trade and other receivables	1,944,905	911,357
Inventories	3,279,725	1,265,493
Financial assets	260,730	496,350
<b>Total current assets</b>	<b>5,602,791</b>	<b>2,766,769</b>
<b>Non-current Assets</b>		
Property, plant and equipment	7,489,574	5,216,313
Investment accounted for using equity method	182,985	182,985
<b>Total non-current assets</b>	<b>7,672,559</b>	<b>5,399,298</b>
<b>Total Assets</b>	<b>13,275,350</b>	<b>8,166,067</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	5,837,942	4,175,061
Loans and borrowings	2,781,391	2,041,527
Current tax liabilities	1,147,500	720,519
<b>Total current liabilities</b>	<b>9,766,833</b>	<b>6,937,107</b>
<b>Non-current Liabilities</b>		
Trade and other payables	113,953	106,694
<b>Total non-current liabilities</b>	<b>113,953</b>	<b>106,694</b>
<b>Total Liabilities</b>	<b>9,880,786</b>	<b>7,043,801</b>
<b>Net Assets</b>	<b>3,394,564</b>	<b>1,122,266</b>
<b>EQUITY</b>		
Share capital	14,172,731	14,172,731
Reserves	(574,491)	(1,205,540)
Accumulated losses	(10,203,676)	(11,844,925)
<b>Total Equity</b>	<b>3,394,564</b>	<b>1,122,266</b>

The above Consolidated Balance Sheets should be read in conjunction with the accompanying notes.

**China West International Holdings Limited**  
**Consolidated Statements of Changes in Equity**  
For the Half Year Ended 31 December 2008

**Consolidated**

	Share Capital	General Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2007</b>	14,172,731	272,800	(1,477,554)	(12,462,981)	504,996
Un-reconciled loss in prior years	-	-	-	(573,940)	(573,940)
Profit for the half year	-	-	-	368,599	368,599
Exchange differences on translation of foreign operations	-	-	8,500	-	8,500
<b>Balance at 31 December 2007</b>	14,172,731	272,800	(1,469,054)	(12,668,322)	308,155
Balance at 1 July 2008	14,172,731	272,800	(1,478,340)	(11,844,925)	1,122,266
Profit for the half year	-	-	-	1,641,249	1,641,249
Exchange differences on translation of foreign operations	-	-	631,049	-	631,049
<b>Balance at 31 December 2008</b>	14,172,731	272,800	(847,291)	(10,203,676)	3,394,564

The above Consolidated Statements of Equity should be read in conjunction with the accompanying notes.

**China West International Holdings Limited**  
**Consolidated Cash Flow Statements**  
For the Half Year Ended 31 December 2008

	<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	10,562,765	3,698,304
Payments to suppliers and employees	(10,538,353)	(3,538,704)
Interest paid	(18,982)	(20,327)
Other revenue received	630,441	-
Taxes paid	(87,242)	-
<b>Net cash inflow from operating activities</b>	<b>548,629</b>	139,273
<b>Cash Flows from Investing Activities</b>		
Payments for property, plant and equipment	(512,713)	(336,064)
Proceeds on disposal of plant and equipment	5,560	-
Investment in an associated company	-	(179,951)
Payment for investments	-	(535,299)
<b>Net cash outflow from investing activities</b>	<b>(507,153)</b>	(1,051,314)
<b>Cash Flows From Financing Activities</b>		
Proceeds from borrowing	57,906	48,260
Repayment of borrowing	(105,457)	-
<b>Net cash outflow from financing activities</b>	<b>(47,551)</b>	48,260
<b>Net decrease in cash and cash equivalents</b>	<b>(6,075)</b>	(863,781)
Cash and cash equivalents at the beginning of the half year	93,569	1,060,963
Effects of exchange rate changes on cash and cash equivalents	29,937	1,068
<b>Cash and cash equivalents at the end of the half year</b>	<b>117,431</b>	198,250

The above Consolidated Cash Flow Statements should be read in conjunction with the accompanying notes.



## 1. Summary of Significant Accounting Policies

China West International Holdings Limited ("CWH" or "the Company") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX") and is the ultimate Company in the CWH Group. The consolidated interim financial report for the half year ended 31 December 2008 comprises the Company and its controlled entities ("the CWH Group").

The nature of operations and principal activities of the CWH Group are described in the Directors' Report.

### (a) Statement of compliance

The consolidated interim financial report for the half year ended 31 December 2008 is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the CWH Group as at and for the year ended 30 June 2008.

The consolidated interim financial report of China West International Holdings Limited was approved by the Board of Directors on 28 August 2009.

### (b) Significant accounting policies

The accounting policies applied by the CWH Group in this consolidated interim financial report are the same as those applied by the CWH Group in the 2008 Annual Report.

### (c) Basis of preparation

#### *Historical Cost Convention*

These financial statements have been prepared under the historical cost convention.

#### *Estimates*

The preparation of interim financial report requires management to make judgements, estimates and assumption that affects 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 the consolidated interim financial report, the significant judgements made by management in applying the CWH Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2008 Annual Report.

#### *Going Concern*

The consolidated entity at 31 December 2008 has net working capital deficiency of \$4,164,042 (current liabilities of \$9,766,833 in excess of current assets \$5,602,791). Included in current liabilities are bank loans of \$2,242,066 which are overdue. The financial report has been prepared on a going concern basis due to the following reasons:

- The CWH Group has prepared forward financial projections to 30 June 2010 and indications are that the CWH Group will be both profitable and cash flow positive, and the current working capital positions can be managed.
- In relation to the overdue bank loans, the chairman of the Company, Mr Bao Cheng Luo, has provided a written undertaking to personally provide additional funds should banks call on the outstanding bank loans in the coming twelve months.

The consolidated entity is dependent on ongoing profitability and cash flow to strengthen its balance sheet. To the extent that the consolidated entity is not successful in achieving ongoing profitability there is uncertainty that the consolidated entity will continue as a going concern. The financial report does not include any adjustments relating to the recoverability and classification of asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

## 2. Segment Information

### (a) Primary Reporting – Geographical Segments

The primary geographic segments within which the consolidated entities operate are China and Australia.

	China	Australia	Other	Intersegment eliminations/ Unallocated	Consolidated
For the half year ended 31 December 2008	\$	\$	\$	\$	\$
<b>Revenue</b>					
External Sales	8,739,509	-	-	-	8,739,509
Other Income	638,686	-	-	-	638,686
<b>Total Revenue</b>	<b>9,378,195</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,378,195</b>
<b>Results</b>					
Segment result	2,183,046	(312,581)	(12,550)	-	1,857,915
Income tax expense					(216,666)
<b>Profit for the period</b>					<b>1,641,249</b>
<b>Assets</b>					
Segment assets	16,073,721	478,477	174,798	(3,451,646)	13,275,350
<b>Segment liabilities</b>					
Segment liabilities	10,983,364	3,165,650	375,424	(4,643,652)	9,880,786
<b>Other Segment Information</b>					
Acquisitions of other non-current segment assets	512,713	-	-	-	512,713
Depreciation and amortisation expense	264,601	558	-	-	265,159

	China	Australia	Other	Intersegment eliminations/ Unallocated	Consolidated
		\$	\$	\$	\$
<b>For the half year ended 31 December 2007</b>					
<b>Revenue</b>					
External Sales	4,095,329	-	-	-	4,095,329
Other Income	514,258	-	-	-	514,258
<b>Total Revenue</b>	<b>4,609,587</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,609,587</b>
<b>Results</b>					
Segment result	731,694	(225,580)	(17,642)	-	488,472
Income tax expense					(119,873)
<b>Profit for the period</b>					<b>368,599</b>
<b>Assets</b>					
Segment assets	9,655,241	1,333,189	151,442	(2,211,112)	8,928,760
<b>Segment liabilities</b>					
Segment liabilities	(8,867,617)	(3,390,248)	(199,631)	3,836,891	(8,620,605)
<b>Other Segment Information</b>					
Investment in an associate	-	179,951	-	-	179,951
Acquisitions of other non-current segment assets	336,064	-	-	-	336,064
Depreciation and amortisation expense	188,176	-	10,312	-	198,488

**(b) Secondary reporting format – Business Segments**

Business segments have followed geographic location with share trading being undertaken in Australia and the cement business being undertaken in China. The glass business remained dormant during the half year.

**3. Revenues**

	Consolidated	
	2008	2007
	\$	\$
<b>Sales Revenue</b>		
Sales of goods to external customers	8,739,509	4,095,329
<b>Total Sales Revenue</b>	<b>8,739,509</b>	<b>4,095,329</b>
<b>Other Income</b>		
Other	8,245	-
Refund of value added tax in China	630,441	514,258
<b>Total Other Revenue</b>	<b>638,686</b>	<b>514,258</b>
<b>Total Revenue</b>	<b>9,378,195</b>	<b>4,609,587</b>

## 4. Share Capital

	Company		Company	
	2008	2007	2008	2007
	Shares	Shares	\$	\$
<b>Share capital</b>				
Fully paid ordinary shares	70,426,256	70,426,256	14,172,731	14,172,731

### *Movements*

At 31 December 2007

At 31 December 2008

	Number of Shares	\$
At 31 December 2007	70,426,256	14,172,731
At 31 December 2008	70,426,256	14,172,731

## 5. Contingencies

There are no contingent liabilities as at 31 December 2008.

## 6. Related Party Transactions

Arrangements with related parties continue to be in place. For details of these arrangements refer to the June 2008 Annual Report.

## 7. Subsequent Events

The Company was suspended from trading on 25 August 2008 and remains suspended as at the date of this report.

Other than as outlined above there were no material events subsequent to reporting date impacting upon the parent or controlled entity.

## 8. Commitments

The CWH Group had no significant commitments for capital expenditure that were authorised and contracted as at 31 December 2008. Operating lease arrangements continue to be in place and have not changed significantly to those disclosed in the June 2008 Annual Report.

## **China West International Holdings Limited and its Controlled Entities Directors' Declaration**

- 1 In the opinion of the directors of China West International Holdings Limited ("CWH or "the Company"):
- (a) the financial statements and notes that are set out on pages 5 to 12, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2008 and of their performance for the half year ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
  - (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:



Bao Cheng Luo  
*Chairman of the Board*

Dated this 28th day of August 2009



## **Independent auditor's review report to the members of China West International Holdings Limited**

### **Report on the financial report**

We have reviewed the accompanying half-year financial report of China West International Holdings Limited, which comprises the consolidated interim balance sheet as at 31 December 2008, income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a description of accounting policies and other explanatory notes 1 to 8 and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year ("the CWH Group").

#### *Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of China West International Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



*Basis of qualified conclusion*

As at 31 December 2008, the CWH Group has a working capital deficiency of \$4,164,042 that includes \$2,242,066 of bank loans currently overdue. As disclosed in Note 1(c) to the half-year financial report, Mr Bao Cheng Luo, the Chairman, has provided a written undertaking to personally provide additional funds should the banks call on the outstanding loans. If Mr Bao Cheng Luo does not have the ability to honour this guarantee, there is significant doubt on the CWH Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. As at the date of this report, there is insufficient evidence to support Mr Bao Cheng Luo's ability to honour this guarantee.

*Qualified Conclusion*

Based on our review, which is not an audit, and except for the effect on the financial report of the matter referred to in the qualification paragraph, we have not become aware of any matter that makes us believe that the half-year financial report of China West International Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the CWH Group's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Mark Epper  
*Partner*

Sydney

28 August 2009