

China West International Holdings Limited

ACN 009 023 111

Annual Financial Report – 30 June 2008

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**CHAIRMAN'S REPORT
30 JUNE 2008**

Dear Shareholders,

On behalf of the Board of Directors, I am honoured to be able to provide to the shareholders the current progress made by the company over the past 12 months on future industrial development in China and the future direction of China West International Holdings Limited ("CWH" or "the Company").

It has been five years since CWH was listed on the ASX. Over the five years, our company operates generally in a stable and profitable environment. In the past 12 months, with the continuous rise in prices of Chinese energy such as coal and electric power, our subsidiary company in China - Chongqing Yuao Building Materials Co., Ltd. ("Chongqing Yuao") realized its annual production of 214,798 tons of 32.5R cement, 26,573 tons of 42.5R cement, and 258,141 tons of limestone, achieving a turnover sales income of RMB 57,862,000 (AUD 8,884,189) and net profit of RMB 15,643,000 (AUD 2,401,842). In October 2007, Chongqing Yuao exported 2,400 tons of 42.5 R Ordinary Portland cement product to a customer in Kazakhstan, with sales income of RMB 780,000 (AUD 120,000).

With the massive economic policy of developing the Western Region of China embarked on by the Government of China Central and Chongqing, infrastructure development in energy, main roads and real estate has increased demand for cement related products. In order to meet the needs of the markets in China and Middle-Asia region, Chongqing Yuao has launched the cement production capacity expansion and technology upgrading program. The program on the third and fourth product lines has been finalized with a capital expenditure investment of about RMB 1 million (AUD 152,000). The production capacity of Chongqing Yuao is now approximately 500,000 tons of cement per year.

In August 2007, CWH entered into an Agreement to acquire a 45% interest (and thereby become the largest shareholder) in Discovery Company Ltd of Kazakhstan. With its shareholding investment in Discovery Company Ltd, CWH has obtained its first multi-metal integrated mine located within the State of East Kazakhstan.

In the coming year, CWH will concentrate its efforts on the market development of its cement and Armourglass products and complete its proposed production capacity expansion and technology upgrading program. Furthermore, the board will seek investment opportunities in Uranium projects in Australian and in Kazakhstan.

On behalf of the Board, we wish to express our sincere appreciation for the continual support from our shareholders and all the staff who have contributed to the company.



Bao Cheng Luo
CHAIRMAN OF THE BOARD

1 April 2009

Your directors present this report on the consolidated entity (referred hereafter as the CWH Group), consisting of China West International Holdings Limited and its controlled entities for the year ended 30 June 2008.

Directors

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

Bao Cheng Luo	- appointed 13 August 2003
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 Hibberd	- appointed 5 November 2003 and resigned 21 December 2007
John McLenaghan	- appointed 16 November 2005
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

Company Secretary

The company secretary is John Bell, who was appointed on 22 September 2008.

Principal Activities

The principal activities of the CWH Group during the year are:

- manufacturing and selling of building products in China
- share trading in Australia

Dividends

The directors of the CWH Group recommend that no dividend be paid in respect of the year ended 30 June 2008 (2007: Nil).

Review of Operations

1 July 2007 to 31 December 2007

Australia

On 28 August 2007, CWH entered into a joint venture agreement through which it acquired a 45% interest in Discovery Company Ltd registered in Kazakhstan. The company paid a consideration of USD 160,000 (AUD 182,985). During August and September 2007, CWH reported that it had taken up a substantial shareholding in Uranium Exploration Australia Ltd. ("UXA").

China

From 1 July 2007 to 31 December 2007, Chongqing Yuao produced 122,752 tons of cement and 126,241 tons of limestone, achieving a turnover of RMB 26,452,700 (equivalent to AUD 4,061,574).

In October 2007, Chongqing Yuao exported 2,400 tons of 42.5 R Ordinary Portland cement products to a customer in Kazakhstan, with the sales income of RMB 1,657,600 (equivalent to AUD 254,510).

1 January 2008 to 30 June 2008

China

From 1 January 2008 to 30 June 2008, Chongqing Yuao produced 116,670 tons of cement and 131,900 tons of limestone, achieving a turnover of RMB31,217,200 (equivalent to AUD 4,793,120).

Effective 30 June 2008, Chongqing Yuao launched a cement production capacity expansion and technology upgrading program. The second phase of the program is now underway, and capital expenditure of RMB 7,759,000 has been invested on the third and fourth product lines. The production capacity of Chongqing Yuao has been increased to 500,000 tons of cement per year.

On 11 March 2008, Chongqing Yuao cleared all debts to the Chongqing Branch of China Great Wall Asset Management Company by paying RMB 4.7 million. All debts to that company were discharged.

Chongqing Yuao received a return of RMB 5 million deposit from Great Technology Co., Ltd. This followed a failure in the patented pipe technology of Great Technology Co., Ltd.

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 year ended 30 June 2008 was \$1,191,966 (2007: loss \$10,981,247). Income tax expense for the year was \$772,311 (2007: Nil). In the opinion of the directors, the operating results of the CWH Group for the year ended 30 June 2008 were not affected by any item, transaction or event of a material or unusual nature.

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

No matter or circumstance has arisen since 30 June 2008 which has 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

Except as disclosed in the Chairman's Report, 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 Annual Report.

Environmental Regulation

The CWH Group is not subject to significant environmental regulation.

Qualifications, Experience and Responsibilities of Directors

Bao Cheng Luo **Executive Chairman**

Appointed to the Board on 15 August 2003. Mr Luo was responsible for introducing new management techniques to Chongqing Yuao and completed a major restructure of the company's operations. Mr Luo has over 15 years of experience in management having held managerial posts in various organisations. These include Chong Xing Mortgage Co., Ltd (between 1992 and 1994), Shanghai Stock Exchange, Chengdu Branch (between 1994 and 1998) and Chengdu Weian Investment Co., Ltd (between 1998 and 1999). Mr Luo was the President of Shenzhen Sunfield S&T Investment Holding Co., Ltd between 1999 and 2000. Currently, he is the President of Shenzhen Webmoney Investment Co., Ltd, a post he has held since 2001, and he is also the President of Chendu Xuyang Investment Consulting Co., Ltd, which he has held since 1998. Mr Luo holds a postgraduate degree in Economics from Sichuan University.

Special Responsibilities

Member of the Audit Committee

Interest in shares: 7,000,000

Interest in options: Nil

Charles Sher **Non-Executive Director and Chairman of the Audit Committee**

Appointed to the Board 15 August 2003. Mr Sher is currently the President of Xiamen Huadian Switchgear Co., Ltd., a manufacturing company located in Xiamen involved in design, manufacturing and sales of medium voltage switchgear and circuit breaker. He is also currently the Chairman of Xiamen Fucheng Real Estate Development Company Limited, a real estate development company located in Xiamen. Between 1990 and 2003, Mr Sher held various management and operational positions with the Asea Brown Boveri ("ABB") group of companies in Hong Kong, Xiamen and Singapore. He last held the position of Vice President of ABB Industry Pte Ltd in Singapore, where he was the Head of Business Area Low Voltage Products for Asia South Region and the Head of Business Area Manufacturing and Electronic Industries for Asia Region before he left the ABB group in 2003. An electrical engineer by training, Mr Sher was involved in the areas of electrical and mechanical projects in various organisation where he worked, including Sunyen Engineering Pte Ltd, Mass Rapid Transit Corporation and Asia Cement (Singapore) Pte Ltd in Singapore. In addition, he has been conferred as an Honorary Citizen of Xiamen Municipal Government since 1996.

Mr Sher holds a Bachelor of Applied Science in Electrical Engineering from the University of Ottawa, Ontario, Canada. He has attended the Asian International Executive Programme by INSEAD Euro-Asia Centre.

Special Responsibilities

Chairman of the Audit Committee.

Interest in shares: Nil

Interest in options: Nil

Wei Guo Wang
Non-Executive Director

Appointed to the Board 9 February 2009. Mr Wang has been a securities market consultant since 2005. In 1992 Mr Wang participated in the establishment of China Securities Co. Ltd and has filled various roles up to Vice President and Chairman of the Supervisory Committee. Mr Wang has also held various management roles within the People's Bank of China and ICBC.

Mr Wang is a graduate of the Xiamen University with a Master's degree in Economics.

Special Responsibilities

Nil

Interest in shares: Nil

Interest in options: Nil

John McLenaghan
Non-Executive Director

Appointed to the Board on 16 December 2005. Mr McLenaghan has held a number of senior positions with the International Monetary Fund ("IMF"). He is currently an advisor to the IMF Statistics Department and was previously a special advisor to the Managing Director. As a staff member of the IMF, he was Director of the Statistics Department from 1988-1996 and was responsible for the Fund's statistical policy and management. From 1984-1996 he was a member of the Investment Committee of the IMF Staff Retirement Plan. During his career at the IMF he served as Head or Deputy Head of IMF missions to more than 25 countries around the world. He has published numerous policy papers and has been guest speaker at a number of international conferences in international finance and statistical policy.

Mr. McLenaghan is currently a director of St.George Funding Company (United States). From 1997 to 2000, he was a senior advisor (North America) of St.George Bank Limited in the area of developing and implementing equity investment strategy in North America and providing analyses of global economic and financial developments.

Prior to his career with the IMF, Mr McLenaghan served with the Reserve Bank of Australia where he was the Head of the Domestic Finance Division in the Research Department and previously Chief Economist in Queensland.

He is a graduate of the University of Sydney with a degree in Economics. He is also a director of the Sydney University Graduates Union of North America and a member of the Economic Society of Australia, the International Association of Official Statistics, the American Statistical Association and the International Statistical Institute.

Special Responsibilities

Member of the Audit Committee.

Interest in shares: Nil

Interest in options: Nil

Ke Qin Xie
Non-Executive Director

Mr Xie is currently the General Manager of Chongqing Yuao (China West) Building Materials Company Limited (formerly Yong Chuan Cement Factory). He has worked for the company since 1983. He has worked in a number of roles in production and mechanical engineering, plant management and in 1995 was appointed to his current position of General Manager. Prior to joining the company, he worked for Yongchuan Huaguoshan Ironwork factory as an electric technician. He also held the position of Project Manager of CWH Chongqing Representative Office between 2004 and 2005.

He is a graduate of the Chongqing Academy of Iron and Steel and holds a technician certificate in Mechanical and Electrical Engineering. He holds a Bachelor of Economics and Law from Chongqing YuXi College, and holds an MBA from the Industrial and Commercial College of Chongqing University. He also studied Techno-economics and Management at TsingHua University in 2001.

Special responsibilities
Nil

Interest in shares: 8700

Interest in options: Nil

Man Chang Fu
Non-Executive Director

Mr Fu is Chairman of the board of State Nuclear Power Automation System Engineering Co., Ltd., an operating unit of the State Nuclear Power Technology Corporation of China. He is also currently Chief Secretary of China Nuclear Society.

He has had a distinguished career in Nuclear Power engineering in China with particular expertise in control and instrumentation systems. His prior positions have included:

- Director of Technology and International Cooperation Department of China Nuclear Engineering Group Co., Ltd
- Permanent Vice Representative of China to the IAEA
- Director of Nuclear Electric Power Bureau of CNNC
- Head of the Second Institute of Nuclear Engineering and
- Onsite design team leader and quality inspector (for the Second Institute of Nuclear Engineering) at Dayawan (Daya Bay) Nuclear Power Station.

From 1985 to 1987, he was a Visiting Scholar at University of Manchester Institute of Science and Technology ("UMIST") and was the chairman of Federation of Students Studying in the UK.

He is a member of the Evaluation Committee of National Science and Technological Advancement Award and of the Evaluation Committee of Science and Technological Advancement Award of China Nuclear Engineering Group Co., Ltd. and is a visiting professor of World Nuclear University.

In 2005 the French Nuclear Association awarded him a gold prize for international cooperation.

Special Responsibilities
Nil

Interest in shares: Nil

Interest in options: Nil

**Ernest Wong MBBS, BCom, LLB
 Non-Executive Director**

Mr Wong pursued a career in medical research before undertaking business and legal studies. He is a Councillor on Burwood City Council in Sydney's west and was until recently Deputy Mayor. He is active in a wide range of community activities and is a Director of the Millennium Foundation, which supports the Westmead Millenium Research Institute and Westmead Hospital.

Special Responsibilities

Nil

Interest in shares: Nil

Interest in options: Nil

Qualifications, Experience and Responsibilities of Company Secretary

John Bell

Mr Bell has extensive international experience in financial and commercial management and administration. He graduated from the University of Aston, UK with a B.Sc.(Hons) in Administrative Science, is a Fellow of the Chartered Institute of Management Accountants (UK) and is a Member of the Australian Institute of Company Directors.

John's experience includes investment banking and a wide range of International financial management positions with leading multinational companies in Europe, Asia Pacific, North and South America. His experience also includes appointments as Chairman, Director and Company Secretary of a number of ASX listed companies.

Meetings of Directors

There were two meetings of the Board during the year ended 30 June 2008.

Information concerning the date of appointment of all Directors who served during the year, the number of Board meetings each was eligible to attend and the number of meetings attended are as follows:

	Date of Appointment	Directors		Audit and Remuneration Committee	
		Meetings Eligible	Meetings Attended	Meetings Eligible	Meetings Attended
Bao Cheng Luo	13 August 2003	2	2	1	1
Charles Sher	13 August 2003	2	2	1	1
Ping Mo	13 August 2003	2	0	0	0
Ge Yang	13 August 2003	2	0	0	0
Kim Weng Chong	25 August 1997	2	2	0	0
John Hibberd	5 November 2003	1	1	0	0
John McLenaghan	16 November 2005	2	2	1	1
Ernest Wong	9 October 2008	N/A	N/A	N/A	N/A
Xie Ke Qin	22 September 2008	N/A	N/A	N/A	N/A
Fu Man Chang	22 September 2008	N/A	N/A	N/A	N/A
Wang Wei Guo	9 February 2009	N/A	N/A	N/A	N/A

Remuneration Report

The remuneration report is set out under the following main headings:

- A Principles Used to Determine the Nature and Amount of Remuneration
- B Details of Remuneration
- C Service Agreements
- D Share-Based Compensation
- E Additional Information (Unaudited)

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited. The disclosures in section E are additional disclosures required by the *Corporations Act 2001* and the *Corporations Regulations 2001*, which have not been audited.

A. Principles Used to Determine the Nature and Amount of Remuneration (Audited)

Non-executive directors

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the directors. Non-Executive Directors' fees and payments are reviewed annually by the Board based on comparative roles in the external market.

Non-Executive Directors' fees are determined within an aggregate directors' fee pool limit, which will be periodically submitted for approval by shareholders. The pool limit currently stands at \$100,000.

Retirement Allowances for Directors

There are no retirement allowances for directors, other than payment of statutory superannuation.

Executives including Executive Directors

The objective of the Company's executive reward framework is to ensure that reward for performance is competitive within the industry sector and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market standards. The Board ensures that the executive remuneration system satisfies the following key criteria to ensure good reward governance practices:

- Competitive within the Company's sector and appropriate to attract and retain high calibre executives
- Reasonable with respect to the financial status of the Company, and considered acceptable to shareholders
- Providing appropriate recognition of capabilities and experience, balanced against reward for contribution and achievements
- Providing a clear and transparent structure for earning of rewards

The framework provides a mix of fixed and variable pay.

Executive Pay

The executive pay and reward framework has two components:

- Base pay and benefits (fixed)
- Short-term performance incentives (variable; paid as a cash bonus)

The combination of these comprises the executive's total remuneration.

Base Pay

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed benefits including superannuation. Base pay for senior executives will be reviewed annually by the Audit and Remuneration Committee to ensure that the executive's pay is competitive within the market. There are no guaranteed base pay increases included in any senior executives' contracts.

Benefits

The company provides motor vehicle benefits to one Non-Executive director.

Retirement Benefits

There are no retirement benefits other than statutory superannuation.

B. Details of Remuneration (Audited)

Amounts of Remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of China West International Holdings Limited and the CWH Group for the financial years ended 30 June 2008 and 30 June 2007 are set out in the following tables:

Remuneration of Directors and Key Management Personnel

Year Ended 30 June 2008	Short-Term Benefits			Post Employment Benefits	Share-Based Payment*	
Name	Cash Salary and Fees	Cash Bonus	Non-Monetary Benefits	Super-annuation	Share Options	Total
	\$	\$	\$	\$	\$	\$
Non-Executive Directors						
Charles Sher*	-	-	-	-	-	-
Ping Mo*	-	-	-	-	-	-
Ge Yang*	-	-	-	-	-	-
Kim Wen Chong*	-	-	-	-	-	-
John McLenaghan	36,000	-	-	-	-	36,000
John Hibberd	21,480	-	-	-	-	21,480
Sub-total	57,480	-	-	-	-	57,480
Executive Directors						
Bao Cheng Luo	21,347	-	-	-	-	21,347
Sub-total	21,347	-	-	-	-	21,347
Other Key Management Personnel						
Ke Qin Xie	12,403	-	-	1,228	-	13,632
De Ming Zhao	10,009	-	-	921	-	10,930
De Yu Ren	8,351	-	-	921	-	9,272
Ru Qin Chen	8,366	-	-	921	-	9,288
Liang Yuan Xiao	8,475	-	-	-	-	8,475
Sub-total	47,604	-	-	3,991	-	51,595
Total	126,431	-	-	3,991	-	130,422

* No remuneration has been recorded for this Director as remuneration agreed was either effective post 1 July 2008 or as Nil.

Year Ended 30 June 2007	Short-term Benefits			Post Employment Benefits	Share-Based Payment*	Total \$
	Cash Salary and Fees \$	Cash Bonus \$	Non-Monetary Benefits \$	Super-annuation \$	Share Options \$	
Non-Executive Directors						
Charles Sher	-	-	-	-	-	-
Ping Mo	-	-	-	-	-	-
Ge Yang	-	-	-	-	-	-
Kim Wen Chong	-	-	-	-	-	-
John McLenaghan	36,000	-	-	-	-	36,000
John Hibberd	18,000	-	-	-	-	18,000
Sub-total	54,000	-	-	-	-	54,000
Executive Directors						
Bao Cheng Luo	16,748	-	-	-	-	16,748
Sub-total	16,748	-	-	-	-	16,748
Other Key Management Personnel						
Ke Qin Xie	10,979	-	-	223	-	11,202
Paul Wee	39,071	-	-	3,560	-	42,631
De Ming Zhao	6,327	-	-	223	-	6,550
De Yu Ren	6,327	-	-	223	-	6,550
Ru Qin Chen	6,327	-	-	223	-	6,550
Liang Yuan Xiao	6,327	-	-	-	-	6,327
Sub-total	75,358	-	-	4,452	-	79,810
Total	146,106	-	-	4,452	-	150,558

C. Service Agreements (Audited)

Remuneration and other terms of employment for the directors, and other key management personnel are formalised in service agreements. The major provisions of the agreements relating to remuneration are set out below.

All contracts with executives may be terminated by the executive and by the CWH Group subject to notice periods and termination payments as detailed below.

Bao Cheng Luo – Director

- Director's fees, for the financial year ended 30 June 2008 of \$20,000 per annum, to be reviewed annually by the Audit and Remuneration Committee.
- No termination benefits are payable.

Charles Sher – Director

- The CWH Group provides the Director with the use of a motor vehicle.
- No termination benefits are payable.

Service Agreements (continued)

John McLenaghan – *Director*

- Director's fees, inclusive of superannuation, for the financial year ended 30 June 2008 of AUD 36,000 per annum, to be reviewed annually by the Audit and Remuneration Committee.
- No termination benefits are payable.

Ernest Wong – *Director*

- Director's fees, inclusive of superannuation, for the financial year ended 30 June 2008 of AUD 36,000 per annum, to be reviewed annually by the Audit and Remuneration Committee.
- No termination benefits are payable.

Ke Qin Xie – *Director*

- Base salary, inclusive of superannuation, for the financial year ended 30 June 2008 of AUD 13,632 per annum, to be reviewed annually by the Audit and Remuneration Committee.
- No termination benefits are payable.

Fu Man Chang – *Director*

- Directors fee for the financial year ended 30 June 2008 of AUD 18,000 per annum, to be reviewed annually by the Audit and Remuneration Committee.
- No termination benefits are payable.

Wei Guo Wang – *Director*

- Recent appointment, no remuneration agreed at the date of this report.
- No termination benefits are payable.

D. Share – Based Compensation (audited)

At present the company does not have a share option plan and no share options have been issued.

E. Additional Information (Unaudited)

Principles used to determine the nature and amount of remuneration: relationship between remuneration and Company performance

The overall level of executive reward will take into account the performance of the CWH Group over a number of years, with greater emphasis given to the most recent year.

Loans to Directors and Executives

There are no loans with Directors or executives.

Insurance of officers

No Directors and Officers insurance policy is currently in place and this is under review.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-Audit Services

The CWH Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the CWH Group are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below.

The Board of directors has considered the position and, in accordance with the advice received from the Audit and Remuneration Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES110 Code of Ethics for Professional Accountants.

Remuneration of Auditors

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	2008 \$	2007 \$
Audit Services		
Fees paid to the auditor of the parent company:		
Audit and review of financial reports - KPMG	130,000	-
Audit and review of financial reports – Grant Thornton		73,000
Fees paid to the auditor of the non-parent company	-	20,433
Total remuneration for audit services	130,000	93,433
Taxation Services		
Fees paid to the auditor of the parent company:		
Tax compliance services, including review of Company income tax returns and international tax consulting – Grant Thornton	-	15,000
Total remuneration for taxation services	-	15,000

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13.

Auditor

KPMG was appointed as an auditor to the Company on 1 September 2008 and continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of the directors.



Bao Cheng Luo
 Director

Dated at Sydney this 1st day of April 2009



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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 audit for the financial year ended 30 June 2008 there have been:

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

KPMG

Mark Epper
Partner

Sydney

1 April 2009

Corporate Governance Statements

China West International Holdings Limited (“CWH” or “the Company”) and its Board are committed to achieving and maintaining best practice in corporate governance, consistent with our sector of operations and the size and maturity of the Company. The listing rules of the Australian Securities Exchange (“ASX”) require listed companies to provide a statement in their annual report disclosing the extent to which they have followed the ASX Corporate Governance Council’s Principles of Good Corporate Governance and Best Practice Recommendations (“ASX Principles”). The following discloses the extent to which the Company has followed the ASX Principles during the reporting period. The Company and its controlled entities together are referred to as the CWH Group in this statement.

The Board of China West International Holdings adopted a general Corporate Governance Policy subsequent to its listing on the Australian Securities Exchange. The CWH Group adopted a broad Corporate Governance Framework as well as more detailed policies in a number of areas. These include:

- Board Charter
- Audit and Remuneration Committee Charter
- Continuous Disclosure and Shareholder Reporting Policy
- Share Trading Policy

More recently, the CWH Group has developed a broad Risk Management Framework which is supported by detailed internal policies and procedures. All of this material is being progressively posted to the Company’s website.

Set out below are the corporate governance policies and procedures adopted by the Board of the Company. At regular intervals the Board will review the policies and procedures adopted, as it is expected that requirements will change as the CWH Group develops and grows in complexity. The policies in place are described under the headings of the ten ASX Principles.

Principle 1 Lay Solid Foundations for Management and Oversight

Role of the Board

The Board has the primary responsibility for guiding and monitoring the business and affairs of the CWH Group, including compliance with the CWH Group’s corporate governance objectives. The Board is responsible for the oversight and performance of the CWH Group. The Board has delegated the day to day management of the CWH Group to a number of focused committees who, in turn, may delegate to senior management.

The Board’s role is set out in the Board charter which establishes the relationship between the Board and management and describes their respective functions and responsibilities.

The Board is responsible for the oversight and performance of the CWH Group, including matters such as:

- Overall corporate governance;
- Formulating, approving and monitoring corporate objectives with a view to maximising Shareholder value;
- Selecting, appointing and reviewing key consultants and executives;
- Identifying management and business risks;
- Monitoring systems of internal control and compliance;
- Evaluating, approving and monitoring the strategic and financial plans and performance objectives for the CWH Group;
- Evaluating, approving and monitoring the annual budgets and business plans;
- Evaluating, approving and monitoring major capital expenditure, capital management and all major corporate transactions including the issue of any securities of the CWH Group;
- Monitoring and approving all financial reports and all other reporting and external communications by the CWH Group;

Role of the Board (Continued)

- Evaluation of Board and individual director performance;
- Appointing, removing and managing the performance of, and the succession planning for, senior executives of the CWH Group;
- Overseeing and ratifying the terms of appointment and, where appropriate, removal, of senior executives, including their remuneration;
- Reporting to shareholders on the CWH Group's strategic direction and performance;
- Monitoring the CWH Group's performance in relation to best practice principles of corporate governance; and
- Approving and monitoring the CWH Group's risk management strategy and internal controls and accountability systems and their effectiveness.

Role of Management

The Board has delegated the day to day management of the CWH Group to the committees outlined above who, in turn, may delegate responsibilities to senior management. The delegations to committees each lead by a committee chairman include:

- Developing business plans, budgets and Group strategies for consideration by the Board and, to the extent approved by the Board, implementing those plans, budgets and strategies;
- Operating the business of the CWH Group within the parameters determined by the Board and keeping the Board promptly informed of all developments material to the CWH Group and its business;
- Identifying and managing operational risks and formulating strategies for managing those risks for consideration by the Board; and
- Managing the CWH Group's financial and other reporting mechanisms and control and monitoring systems to ensure that they capture all relevant material information on a timely basis and are functioning effectively.

Letters of Appointment

All directors of the CWH Group have been provided with letters of appointment as suggested in the ASX Guidelines. All executives of the CWH Group are employed under contracts which outline their duties, rights and responsibilities, and entitlement on termination.

Principle 2

Structure the Board to Add Value

Board Composition

The Board has seven directors, five of whom are non-executive two are executive.

The names, date of first appointment and status of the Company's directors are set out below. More details on the background qualifications and particular skills of these directors are provided in Qualifications, Experience and Responsibilities of Directors.

Name	Appointed	Executive	Non-Executive	Independent
Bao Cheng Luo	13 August 2003	Yes	No	No
Charles Sher	13 August 2003	No	Yes	Yes
Ernest Wong	9 October 2008	No	Yes	Yes
Ke Qin Xie	22 September 2008	No	Yes	No
Man Chang Fu	22 September 2008	No	Yes	Yes
Kim Weng Chong	25 August 1997	No	Yes	Yes
John McLenaghan	16 November 2005	No	Yes	Yes

Director Independence

Directors are expected to bring independent views and judgment to the Board's deliberations. The Board has reviewed the position and associations of each of the seven directors in office and has determined that five of the directors are independent. In making this determination the Board has had regard to the independence criteria in ASX Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of the other directors, as appropriate.

The directors who do not meet the independence criteria are Bao Cheng Luo who is a substantial shareholder in the CWH Group and Mr Ke Qin Xie who is an employee of a subsidiary company.

Meetings of the Board

The Board meets formally on a monthly basis and on other occasions, as required. On the invitation of the Board, members of senior management attend and make presentations at Board meetings. See page 7 for the number of Board meetings held.

Retirement and Re-Election

The constitution of the Company requires one third of the directors, other than the managing director, to retire from office at each annual general meeting. Directors who have been appointed by the Board are required to retire from office at the next annual general meeting and are not taken into account in determining the number of directors to retire at that annual general meeting. Directors cannot hold office for a period in excess of three years (or later than the third annual general meeting following their appointment) without submitting themselves for re-election. Retiring directors may be eligible for re-election by shareholders. The Nomination and Remuneration Committee (see below) is responsible for assessment of the needs of the Board for best governance of the CWH Group, and in determining whether retiring directors would appropriately fill these needs if re-elected.

Committees of the Board

Included in the committees outlined above is a standing Audit and Remuneration Committee which assists the Board in the discharge of its responsibilities.

This committee reviews matters on behalf of the Board and makes recommendations for consideration by the entire Board. The charters for this committee is set out in the Corporate Governance Policy noted above.

Audit and Remuneration Committee

Membership of this committee is:

- Charles Sher - Chairman
- Bao Cheng Luo
- John Hibberd (Resigned 21 December 2007)
- John McLenaghan

The primary purpose of the Audit and Remuneration Committee is to support and report to the Board in fulfilling its responsibilities to shareholders in relation to:

- identification and appointment of directors and executives;
- executive remuneration policy;
- the remuneration of executive directors;
- the Company's recruitment, retention and termination policies and procedures;
- superannuation arrangements; and
- all bonus and equity-based plans

In addition the Audit and Remuneration Committee monitors and reviews the effectiveness of the Company's control environment in the areas of operational risk, legal/regulatory compliance and financial reporting. It will advise and assist the Board to discharge its responsibility to exercise due care, diligence and skill in relation to:

- reporting of financial information to users of financial reports, in particular the quality and reliability of such information;
- assessing the consistency of disclosures in the financial statements with other disclosures made by the CWH Group to the financial markets, governmental and other public bodies;
- review and application of accounting policies;
- financial management;
- review of internal and external audit reports to ensure that where weaknesses in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- evaluation of the CWH Group's compliance and risk management structure and procedures, internal controls, corporate governance and ethical standards;
- review of business policies and practices;
- conduct of any investigation relating to financial matters, records or accounts, and to report those matters to the Board;
- protection of the CWH Group's assets; and
- compliance with applicable laws, regulations, standards and best practice guidelines.

See page 7 for the number of Audit and Remuneration Committee meetings held.

Principle 3 Promote Ethical and Responsible Decision-Making

The CWH Group has adopted principles of appropriate conduct for employees and directors as part of its general Corporate Governance Policy. Through its oversight of Group activities, the Board ensures that best practice standards of ethics and integrity in all business dealings and operations are maintained, including the CWH Group's interactions with its shareholders, employees, business partners, customers, suppliers, and the community.

The CWH Group has adopted a policy on Share Trading, for employees and directors or their related entities. Employees, executives and directors of the CWH Group may not trade in the Company's shares when in possession of inside information and outside of specified trading windows declared by the chairman and/or with permission of the chairman.

Principle 4 Safeguard Integrity in Financial Reporting

Executive Director and CFO Declaration:

Consistent with ASX Principle 4, the CWH Group's financial report preparation and approval process involves both the executive director and the chief financial officer providing a written statement to the Board that "to the best of their knowledge and belief, the CWH Group's financial report presents a true and fair view, in all material respects, of the CWH Group's financial condition and operating results and is in accordance with applicable accounting standards."

Audit Committee, Governance and Independence

As outlined under Principle 2, the Board has established an Audit and Remuneration Committee, with a formal charter, to verify the integrity of the CWH Group's financial reporting. This committee is structured according to the guidelines set down in the ASX Principles, and reports to the Board. As part of the CWH Group's commitment to safeguarding integrity in financial reporting, the CWH Group has implemented procedures and policies to monitor the independence and competence of the CWH Group's external auditors.

Appointment of Auditors

The CWH Group's current external auditors are KPMG. The effectiveness, performance and independence of the external auditors are reviewed by the Audit and Remuneration Committee. If it becomes necessary to replace the external auditors for performance or independence reasons, the audit committee will then formalise a procedure and policy for the selection and appointment of new auditors. It is a requirement, given that the Company is listed, that the audit engagement partners be rotated at least every five years.

Principle 5 Make Timely and Balanced Disclosure

The Board has established written Group policies on Continuous Disclosure (including requirements for approval for release of information by the CWH Group), and on Shareholder Communications, to promote effective communication with its shareholders.

In addition to its disclosure obligations under the ASX Listing Rules, the CWH Group communicates with its shareholders through a number of means including:

- annual and half-yearly reports, including material presented at the Annual General Meeting
- quarterly shareholder updates released to the ASX, sent by email to shareholders and others who so request, and placed on the CWH Group's website; and
- media releases, public announcements and investor briefings

All material disclosed, where feasible, and as authorised by the Board, is posted to the CWH Group's website.

Principle 6 Respect the Rights of Shareholders

The CWH Group has a positive and formal strategy to communicate with shareholders and actively promote shareholder involvement in the CWH Group. This is outlined above. It aims to continue to increase and improve the information available to shareholders on its website. All Group announcements, presentations to analysts and other significant briefings are posted on the CWH Group's website after release to the Australian Securities Exchange. Consistent with ASX Principle 6 and CLERP 9, the CWH Group's auditors attend, and are available to answer questions at, the CWH Group's Annual General Meetings.

The CWH Group encourages shareholders to register for receipt of announcements and updates electronically. It is exploring means to provide remote access to Group meetings for those unable to attend in person.

Principle 7 Recognise and Manage Risk

Consistent with ASX Principle 7, the CWH Group is committed to the identification, monitoring and management of risks associated with its business activities and has established, as part of its management and reporting systems, a number of risk management controls. The CWH Group has adopted a general Risk Management Statement addressing the profile of risk relevant to the CWH Group given its operational context supported by a set of internal procedures. Approval of detailed procedures and monitoring of their implementation has been delegated to the Audit and Remuneration Committee of the Board.

In particular:

- The CWH Group has approved delegations and limits for approval of expenditure and for incurring contractual obligations.
- In accordance with ASX Principle 7, the executive officers provide the Board with an annual written statement that:
 - the statement given with respect to the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
 - the CWH Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The risk profile can be expected to change and procedures adapted as the CWH Group's business develops and it grows in size and complexity. Regular review by the Audit and Remuneration Committee will ensure that procedures adopted continue to be appropriate.

Principle 8 Encourage Enhanced Performance

Performance reviews of all key executives were carried out prior to the end of the financial year and the results used in setting performance-related pay for the then current year and remuneration levels for the following year.

The Board is kept well informed by the executive director and senior executives on developments within the CWH Group and in the broader sector within which the CWH Group operates.

Responsibility for governance issues is delegated to the Audit and Remuneration Committee.

Principle 9 Remunerate Fairly and Responsibly

The CWH Group's remuneration policy and details of director and executive remuneration are outlined on pages 8 and 9 of this report. The guiding principles of this policy are to balance the need to provide industry-competitive remuneration in order to attract and retain high quality personnel, while ensuring effective use of shareholder funds.

As detailed under Principle 2, the CWH Group has established a Nomination and Remuneration Committee, with responsibility for reviewing general remuneration policies for the CWH Group, and approving remuneration for senior executives. The composition of this committee is according to the ASX guidelines.

Non-executive directors are remunerated by director's fees only. No schemes for retirement benefits (other than statutory contributions to a superannuation scheme where relevant) or termination payments are in place.

Principle 10 Recognise the Legitimate Interests of Stakeholders

As outlined above under Principle 3, the Board has established conduct guidelines for staff and directors. The CWH Group's broad Corporate Governance Framework, contains general principles for corporate conduct to ensure compliance with legal and other obligations to stakeholders. Performance against these principles is monitored by the Board.

China West International Holdings Limited Annual Financial Report – 30 June 2008

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This Financial Report is provided in relation to China West International Holdings Limited as an individual entity and the consolidated entity consisting of China West International Holdings Limited and its controlled entities. The Financial Report is presented in Australian currency.

China West International Holdings Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

China West International Holdings Limited
Suite 1503, 97-99 Bathurst Street
Sydney NSW 2000

China West International Holdings Limited
Income Statements
For the Year Ended 30 June 2008

	Notes	Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
Continuing operations					
Sales revenue	5	8,884,189	6,407,967	-	-
Cost of sales		(6,196,147)	(5,411,352)	-	-
Gross profit		2,688,042	996,615	-	-
Other income	5	2,476,813	516,815	642,590	658,670
Distribution expenses		(217,875)	(139,477)	-	-
Administrative expenses		(1,957,849)	(2,756,951)	(429,122)	(1,246,105)
Impairment loss on investments	6	(702,613)	(260,000)	(702,613)	(13,397,617)
Loss arising from write-down of assets		-	(8,633,909)	-	(560,655)
Loss arising from share trading		(53,952)	(67,001)	(53,952)	(67,001)
Results from operating activities		2,232,566	(10,343,908)	(543,097)	(14,612,708)
Net finance expenses		(268,259)	(637,339)	(18)	(2,519)
Profit/(loss) before income tax		1,964,307	(10,981,247)	(543,115)	(14,615,227)
Income tax expense	7(a)	(772,311)	-	-	-
Profit/(loss) attributable to members of China West International Holdings Limited		1,191,996	(10,981,247)	(543,115)	(14,615,247)
Earnings per share					
Basic and diluted earnings/(losses) per share (cents)	27	1.69	(17.89)		

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

China West International Holdings Limited and Controlled Entities
Balance Sheets
As at 30 June 2008

	Notes	Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
ASSETS					
Current Assets					
Cash and cash equivalents	8	93,569	1,060,963	18,528	573,506
Trade and other receivables	9	911,357	943,080	39,365	49,847
Inventories	10	1,265,493	986,769	-	-
Financial assets	11	496,350	679,217	496,350	679,217
Total current assets		2,766,769	3,670,029	554,243	1,302,570
Non-current Assets					
Property, plant and equipment	12	5,216,313	4,625,507	9,297	10,647
Investment accounted for using equity method	13	182,985	-	182,985	-
Total non-current assets		5,399,298	4,625,507	192,282	10,647
Total Assets		8,166,067	8,295,536	746,525	1,313,217
LIABILITIES					
Current Liabilities					
Trade and other payables	15	4,175,061	3,171,382	318,317	269,087
Loans and borrowings	16	2,041,527	4,072,240	2,389,737	2,462,544
Current tax liabilities	7(c)	720,519	197,135	-	-
Total current liabilities		6,937,107	7,440,757	2,708,054	2,731,631
Non-current Liabilities					
Trade and other payables	15	106,694	349,783	413,063	413,063
Total non-current liabilities		106,694	349,783	413,063	413,063
Total Liabilities		7,043,801	7,790,540	3,121,117	3,144,694
Net Assets/(Liabilities)		1,122,266	504,996	(2,374,592)	(1,831,477)
EQUITY					
Share capital	17	14,172,731	14,172,731	14,172,731	14,172,731
Reserves	18	(1,205,540)	(1,204,754)	-	-
Retained profits	18	(11,844,925)	(12,462,981)	(16,547,323)	(16,004,208)
Total Equity		1,122,266	504,996	(2,374,592)	(1,831,477)

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

China West International Holdings Limited
Statements of Equity
For the Year Ended 30 June 2008

Consolidated

	Share Capital	General Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Minority Interest	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2006	13,621,570	272,800	(179,878)	(1,042,418)	(473,190)	12,198,884
New shares issue	551,161	-	-	-	-	551,161
Over-provision of prior years income tax	-	-	-	33,874	-	33,874
Loss for the year	-	-	-	(10,981,247)	-	(10,981,247)
Exchange differences on translation of foreign operations	-	-	(1,297,676)	-	-	(1,297,676)
Reclassification	-	-	-	(473,190)	473,190	-
Balance at 30 June 2007	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 year	-	-	-	1,191,996	-	1,191,996
Exchange differences on translation of foreign operations	-	-	(786)	-	-	(786)
Balance at 30 June 2008	14,172,731	272,800	(1,478,340)	(11,844,925)	-	1,122,266

Company

	Share Capital	Accumulated Losses	Total Equity
	\$	\$	\$
Balance at 1 July 2006	13,621,570	(1,422,855)	12,198,715
New shares issue	551,161	-	551,161
Over-provision of prior years income tax	-	33,874	33,874
Loss for the year	-	(14,615,227)	(14,615,227)
Balance at 30 June 2007	14,172,731	(16,004,208)	(1,831,477)
Loss for the year	-	(543,115)	(543,115)
Balance at 30 June 2008	14,172,731	(16,547,323)	(2,374,592)

The above Statements of Recognised Income and Expense should be read in conjunction with the accompanying notes.

China West International Holdings Limited
Cash flow Statements
For the Year Ended 30 June 2008

	Notes	Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
Cash Flows From Operating Activities					
Receipts from customers		8,601,906	6,913,096	-	-
Payments to suppliers and employees		(7,972,483)	(5,905,743)	(264,686)	(746,910)
Receipts from share trading		-	400,377	-	400,377
Dividend received		-	-	-	57,500
Interest received		3,267	4,179	2,653	4,179
Interest paid		(85,866)	(131,770)	(18)	(2,519)
Other revenue		728,859	-	-	-
Taxes paid		(39,921)	(5,875)	-	(2,555)
Net cash inflow/(outflow) from operating activities	26	1,235,762	1,274,264	(262,051)	(289,928)
Cash Flows from Investing Activities					
Payments for property, plant and equipment		(1,370,814)	(128,280)	-	(11,158)
Proceeds from disposal of plant and equipment		144,636	-	-	-
Investment in an associated company		(182,985)	-	(182,985)	-
Payment for investments		(37,133)	(700,000)	(37,133)	(700,000)
Repayment of loans to related parties		-	-	(72,809)	1,016,564
Net cash outflow from investing activities		(1,446,296)	(828,280)	(292,927)	305,406
Cash Flows From Financing Activities					
Proceeds from issue of shares		-	551,161	-	551,161
Proceeds from borrowing		83,888	224,855	-	-
Repayment of borrowing		(840,383)	(183,785)	-	-
Net cash inflow/(outflow) from financing activities		(756,495)	592,231	-	551,161
Net increase/(decrease) in cash and cash equivalents		(967,029)	1,038,215	(554,978)	566,639
Cash and cash equivalents at the beginning of the year		1,060,963	105,448	573,506	6,867
Effects of exchange rate changes on cash and cash equivalents		365	(82,700)	-	-
Cash and cash equivalents at the end of the year	8	93,569	1,060,963	18,528	573,506

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

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1 Summary of Significant Accounting Policies

The financial report of China West International Holdings Limited ("CWH" or "the Company") for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the Directors on 16 March 2009.

China West International Holdings Limited (the parent) 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 financial report of the company for the year ended 30 June 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.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for China West International Holdings Limited as an individual entity and the consolidated entity consisting of China West International Holdings Limited and its subsidiaries.

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

The consolidated financial report of the CWH Group and the financial report of the Company comply with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements were approved by the Board of Directors on 1 April 2009.

Historical Cost Convention

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

Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards (AIFRS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the CWH Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Going Concern

The consolidated entity at 30 June 2008 has net working capital deficiency of \$4,170,338 (current liabilities of \$6,937,107 in excess of current assets \$2,766,769). Included in current liabilities are bank loans of \$1,599,966 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.

1 Summary of significant accounting policies (continued)

(b) Principles of Consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of China West International Holdings Limited ("CWH" or "the Company") as at 30 June 2008 and the results of all subsidiaries for the year then ended. China West International Holdings Limited and its subsidiaries together are referred to in this financial report as the CWH Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the CWH Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the CWH Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the CWH Group (refer to Note 1(i)).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the CWH Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of China West International Holdings Limited.

(ii) Associates

Associates are all entities over which the CWH Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the Company financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The CWH Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The CWH Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the Company's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the CWH Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the CWH Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the CWH Group and its associates are eliminated to the extent of the CWH Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the CWH Group.

(c) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

1 Summary of significant accounting policies (continued)

(d) Foreign Currency Translation

(i) Functional and Presentation Currency

Items included in the financial statements of each of the CWH Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is China West International Holdings Limited's functional and presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group Companies

The results and financial position of all the CWH Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation exchange differences arising from the translation of any net investment in foreign entities are taken to shareholders equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Revenue Recognition

Revenue from sale of goods is recognised upon the delivery of goods to customers.

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

All revenue is stated net of the amount of goods and services tax (GST).

Interest income is recognised when received.

(f) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

1 Summary of significant accounting policies (continued)

(f) Income Tax (continued)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(h) Business Combinations

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the CWH Group's share of the identifiable net assets acquired is recorded as goodwill (refer Note 1(i)). If the cost of acquisition is less than the CWH Group's share of the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(i) Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units).

(j) Cash and Cash Equivalents

For cash flow statement presentation purposes cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1 Summary of significant accounting policies (continued)

(k) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement between 30 and 90 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (Provision for impairment of trade receivables) is established when there is objective evidence that the CWH Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the income statement with other expenses.

(k) Inventories

Finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual inventory items on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to make the sale.

(l) Investments and Other Financial Assets

(i) Loans and Receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the CWH Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(ii) Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the CWH Group's management has the positive intention and ability to hold to maturity.

(iii) Available-for-Sale Financial Assets

Available-for-sale financial assets, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

If the market for a financial asset is not active (and for unlisted securities), the CWH Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

1 Summary of significant accounting policies (continued)

(l) Investments and Other Financial Assets (Continued)

The CWH Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(m) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the CWH Group for similar financial instruments.

(n) Property, Plant and Equipment

Plant and equipment is stated at historical cost and is depreciated over its useful life using the straight line method. Historical cost includes expenditure directly attributable to the acquisition of the items. The expected useful life for office furniture and store fixtures and fittings is 5 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When re-valued assets are sold, it is the CWH Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(o) Intangible Assets

Goodwill

Goodwill represents the excess of a cost of an acquisition over the fair value of the CWH Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the CWH Group's investment in each country of operation by each primary reporting segment (Note 4).

(p) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the CWH Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition.

1 Summary of significant accounting policies (continued)

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the CWH Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(r) Employee Benefits

(i) Wages and Salaries and Annual Leave

Liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long Service Leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

(iii) Retirement Benefit Obligations

The CWH Group contributes the required statutory superannuation rate (currently 9%) on behalf of employees to licensed superannuation funds. The CWH Group's legal or constructive obligation is limited to these contributions.

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Profit-Sharing and Bonus Plans

The CWH Group recognises a liability and an expense for bonuses annually on assessment of employee performance. The CWH Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(s) Share-Based Payments

There is no Executive Share Option Plan.

(t) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

(u) Earnings Per Share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted Earnings Per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

1 Summary of Significant Accounting Policies (continued)

(v) GST

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the Cash Flow Statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(w) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The CWH Group's and the Company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*.

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The CWH Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect and of the amounts recognised in the financial statements.

(ii) Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 and AASB 138 and Interpretations 1 & 12]*

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the CWH Group as the CWH Group already capitalises borrowing costs relating to qualifying assets.

(iii) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The CWH Group intends to apply the revised standard from 1 July 2009.

(iv) AASB 3 *Business Combinations (Amended)*

AASB 3 (revised) changes the way in which an entity will account for business combinations.

Adoption of the revised AASB 3 is likely to result in substantial changes in the way in which the entity accounts for business combinations. The entity has been unable to assess (as at authorisation of this financial report) the financial impact of this change on the entity's financial report in the period of initial application.

1 Summary of Significant Accounting Policies (continued)

(x) New Accounting Standards and Interpretations (continued)

(v) *AASB 127 Consolidated and Separate Financial Statements (Amended)*

AASB 127 (revised) changes the way in which an entity will account for Consolidated and Separate Financial Statements.

Adoption of the revised AASB 127 is likely to result in changes in the way in which the entity accounts for changes Consolidated and Separate Financial Statements. The entity has been unable to assess (as at authorisation of this financial report) the financial impact of this change on the entity's financial report in the period of initial application.

2 Financial Risk Management

The CWH Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The CWH Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the CWH Group. The CWH Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks and aging analysis for credit risk.

The Board provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, and investment of excess liquidity, as outlined below:

(a) Market Risk

(i) *Foreign exchange risk*

The CWH Group operates primarily in Australia and in China.

The CWH Groups presentation currency is Australian dollars. While the primary business operations are in China these are domestic with no significant purchases or sales in currencies other than Chinese Renmimbi and borrowings to fund operations are in local currency. Accordingly there is no significant foreign exchange risk.

(ii) *Cash flow and fair value interest rate risk*

The CWH Group's main interest rate risk arises from bank borrowings. Borrowings issued at variable rates expose the CWH Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the CWH Group to fair value interest rate risk. During 2008 and 2007, the CWH Group's borrowing at variable rate were denominated in Renmimbi.

The terms of the CWH Group's debt is currently being negotiated with its bankers.

As at the reporting date, the CWH Group had the following variable rate borrowings outstanding.

	30 June 2008		30 June 2007	
	Weighted Average Interest Rate	Balance \$	Weighted Average Interest Rate	Balance \$
Bank overdrafts and bank loans	7%	1,609,270	8%	3,450,468

The CWH Group analyses its interest rate exposure on a dynamic basis. Various scenarios (for liabilities that represent the major interest-bearing positions) are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the CWH Group calculates the impact on profit and loss of a defined interest rate shift. The simulation is done a number of times a year to verify that the maximum loss potential is within the limit given by management.

2 Financial Risk Management (Continued)

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

The CWH Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The CWH Group has policies that limit the amount of credit exposure to any one entity. The compliance with credit limits by wholesale customers is regularly monitored by line management.

The average credit period on sale of goods and rendering services is 60 days. No interest is charged on overdue debtors. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods determined by reference to past default experience.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external ratings (if available) or to historical information about counterparty default rates.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The CWH Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial asset and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

Financing arrangements

The CWH Group and the Company do not have access to any undrawn borrowing facilities at the reporting date.

Maturities of financial liabilities

The CWH Group is currently renegotiating the terms of its bank debt. With the exception of one long term finance lease all liabilities are classified as current, due for payment within one year.

(d) Fair Value Estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the CWH Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives and investments in unlisted subsidiaries) is determined using valuation techniques. The CWH Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the CWH Group for similar financial instruments.

3 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

a) Impairment of Intangible Assets

The CWH Group tests annually whether intangibles have suffered any impairment, in accordance with the accounting policy stated in Note 1(j). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, and accordingly goodwill has been written off in the prior year.

Refer to Note 14 for details on intangible assets value-in-use calculations and management assessment of key assumptions.

b) Impairment Provision of Trade Receivables

The CWH Group undertakes a detailed analysis of trade receivables on a monthly basis and writes off those debtors which it considers not recoverable and makes an impairment provision for those where recovery is considered doubtful.

c) Income Taxes

The CWH Group recognise deferred tax assets and liabilities for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. There are no material temporary differences as at year end.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

For the year ended 30 June 2008 the CWH Group did not recognise deferred tax assets on temporary differences or on tax losses.

4 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
2008		\$	\$	\$	\$
Revenue					
External Sales	8,884,189	-	-	-	8,884,189
Total Revenue	8,884,189	-	-	-	8,884,189
Results					
Segment result	3,174,152	(543,115)	(26,793)	(639,937)	1,964,307
Income tax expense					(772,311)
Profit for the year					1,191,996
Assets					
Segment assets	9,658,745	746,525	143,207	(2,382,410)	8,166,067
Segment liabilities					
Segment liabilities	(7,111,579)	(3,121,117)	(293,310)	3,482,205	(7,043,801)
Other Segment Information					
Investment in an associate (Note 13)	-	-	182,985	-	182,985
Acquisitions of other non-current segment assets	1,370,814	-	-	-	1,370,814
Depreciation and amortisation expense	384,467	1,350	20,624	-	406,441
Cash flow information					
Net cash inflow from operating activities	1,497,814	(262,051)	-	-	1,235,762
Net cash outflow from investing activities	(1,153,369)	(292,927)	-	-	(1,446,296)
Net cash inflow from financing activities	(756,495)	-	-	-	(756,495)

	China	Australia	Other	Intersegment Eliminations/ Unallocated	Consolidated
2007	\$	\$	\$	\$	\$
Revenue					
External sales	6,369,346	411,556	38,621	-	6,819,523
Total Revenue	6,369,346	411,556	38,621	-	6,819,523
Results					
Segment result	(8,523,675)	(14,615,227)	38,621	12,756,373	(10,343,908)
Finance costs					(637,339)
Loss before income tax					(10,981,247)
Income tax expense					-
Net profit for the year					(10,981,247)
Assets					
Segment assets	8,982,703	1,313,217	267,315	(2,267,699)	8,295,536
Liabilities					
Segment liabilities	(7,812,095)	(3,144,694)	(1,646,003)	4,812,252	(7,790,540)
Other segment information					
Acquisitions of non-current segment assets	117,122	11,158	-	-	128,280
Depreciation and amortisation expense	638,532	511	-	-	639,043
Other non-cash segment expenses	8,191,212	14,798,608	-	(13,255,575)	9,734,245
Cash flow information					
Net cash inflow from operating activities	1,564,192	(289,928)	-	-	1,274,264
Net cash outflow from investing activities	1,133,686	(305,406)	-	-	(828,280)
Net cash inflow from financing activities	41,070	551,161	-	-	592,231

(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 year.

5 Revenues

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Sales Revenue				
Sales of goods to external customers	8,884,189	6,407,967	-	-
Total Sales Revenue	8,884,189	6,407,967	-	-
Other Income				
Gain on debt-restructuring	1,745,301	-	-	-
Refund of value added tax in China	666,982	-	-	-
Interest income	3,267	4,179	2,653	4,179
Dividend income	-	-	639,937	501,719
Fair value gains	-	152,772	-	152,772
Others	61,263	359,864	-	-
Total Other Income	2,476,813	516,815	642,590	658,670
Total Revenue	13,220,235	7,336,338	642,590	658,670

6 Expenses

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Profit before income tax expense includes the following specific expenses:				
Employee benefits	1,060,037	857,121	-	-
Depreciation				
Plant and office equipment	327,625	349,622	1,350	511
Motor vehicles	78,816	43,053	-	-
Amortisation				
Land use and mining rights	-	246,368	-	-
Impairment loss on investments	702,613	260,000	702,613	260,000
Bad debts	-	840,336	-	840,336
Write-off of receivables	-	-	-	560,655
Finance costs	251,215	637,339	18	637,339
Write-down of investments in controlled entities	-	-	-	13,127,617
Loss on disposal of fixed assets	44,834	-	-	-

7 Income Tax

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) Income Tax Expense				
Current Tax	772,311	59,673	-	59,673
Recoupment of prior year tax losses	-	(93,547)	-	(93,547)
Over-provision of prior years income tax	-	33,874	-	33,874
	772,311	-	-	-
Income tax expense attributable to:				
Profit from continuing operations	772,311	-	-	-
Aggregate income tax expense	772,311	-	-	-

(b) Income Tax Recognised in Profit

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

Profit/(Loss) from continuing operations before income tax expense	1,964,307	(10,981,247)	(543,115)	(14,615,227)
Tax at the Australian tax rate of 30% (2007: 30%)	589,292	(3,294,374)	(162,935)	(4,384,567)
Adjustments for:				
Non-deductible items	120,554	256,758	39,000	256,758
Write-down to recoverable amount	-	2,668,173	-	4,187,482
Tax-exemption for foreign income	-	290,186	-	-
Tax credit for foreign income	(143,530)	-	-	-
Dividends from foreign subsidiary	-	150,516	(191,981)	-
Difference in the tax rate	(109,921)	(11,586)	-	-
Tax asset not recognised	315,916		315,916	
	772,311	59,673	-	59,673
Over-provision of prior years income tax	-	33,874	-	33,874
Recoupment of prior years tax losses	-	(93,547)	-	(93,547)
Income tax expense	772,311	-	-	-
(c) Current Tax Liabilities				
<i>Provisions for income tax</i>				
Opening balance	197,135	230,740	-	-
Provision for the year	772,311	-	-	-
Payments during the year	(39,921)	(33,605)	-	-
Others	(209,006)	-	-	-
	720,519	197,135	-	-

The Group has tax losses in Australia of approximately \$10.8 million (2007: \$10.3m). The benefit of 30% of approximately \$3.2 million (2007: \$3.1 million) associated with the tax losses will only be obtained if:

- The Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- The Group continues to comply with the conditions for deductibility imposed by the law; and
- No changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

8 Cash and Cash Equivalents

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash at bank and on hand	93,569	1,060,963	18,528	573,506

The CWH Group's and the Company's exposure to interest rate risk and foreign currency is discussed in Note 2.

9 Trade and Other Receivables

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current				
Trade debtors	545,727	263,444	-	-
Provision for trade receivables	(426,149)	-	-	-
Other receivables	985,026	679,636	39,365	49,847
Provision for other receivables	(193,247)	-	-	-
	911,357	943,080	39,365	49,847
Non-current				
Receivables from controlled entities	-	-	-	2,277,796
Provision for receivables	-	-	-	(2,277,796)
	-	-	-	-

The average credit period on sale of goods and rendering of services is 60 days. No interest is charged on overdue debtors. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods determined by reference to past default experience.

The CWH Group has an established process of credit reference checking.

Movement in the allowance for doubtful accounts

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Balance at the beginning of the year	-	-	-	-
Increase in allowance for the year	426,429	-	-	-
Balance at the end of the year	426,429	-	-	-

In determining the recoverability of a trade receivable, the CWH Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly the directors believe that there is no further impairment provision required in excess of the provision for impairment of receivables.

10 Inventories

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Raw materials	1,186,629	780,064	-	-
Work in progress	59,789	74,052	-	-
Finished goods, at cost	19,075	147,188	-	-
	1,265,493	1,001,304	-	-
Less: Provision for obsolescence	-	(14,535)	-	-
	1,265,493	986,769	-	-

11 Financial Assets

	Consolidated		Company	
	2008	2007	2008	2007
Current	\$	\$	\$	\$
<i>Fair value through profit and loss assets</i>				
Shares in listed entities	496,350	679,217	496,350	679,217
Non-current				
Shares in controlled entities	-	-	14,106,874	14,106,874
Shares in an entity*	63,102	63,102	63,102	63,102
Units in a unit trust	150	150	150	150
	63,252	63,252	14,170,126	14,170,126
Impairments for financial assets	(63,252)	(63,252)	(14,170,126)	(14,170,126)
	-	-	-	-

* The balance comprises a 20% (2007: 20%) interest in Armourglass Australia Pty Limited with an amount of \$63,102, which has been fully impaired.

12 Property, Plant and Equipment

Consolidated	Plant & Office Equipment	Motor Vehicles	Work in Progress	Total
	\$	\$	\$	\$
2008				
Cost	9,779,251	522,480	-	10,301,731
Accumulated depreciation	(4,937,048)	(148,370)	-	(5,085,418)
Carrying amount	4,842,203	374,110	-	5,216,313
Movement				
Carrying amount at 1 July 2007	4,230,176	333,106	62,225	4,625,507
Additions	1,218,961	151,852	-	1,370,813
Transfers	(95,886)	158,111	(62,225)	-
Disposals	(1,382)	(188,088)	-	(189,470)
Depreciation expense (Note 6)	(327,625)	(78,816)	-	(406,441)
Foreign exchange translation	(182,041)	(2,055)	-	(184,096)
Carrying amount at 30 June 2008	4,842,203	374,110	-	5,216,313

Refer to Note 16 for details on property, plant and equipment pledged as security against borrowings.

2007				
Cost	8,331,168	484,243	62,225	8,877,636
Accumulated depreciation	(4,100,992)	(151,137)	-	(4,252,129)
Carrying amount	4,230,176	333,106	62,225	4,625,507

Company

	Plant & Office Equipment	Motor Vehicles	Work in progress	Total
	\$	\$	\$	\$
2008				
Cost	11,158	-	-	11,158
Accumulated depreciation	(1,861)	-	-	(1,861)
Net book value	9,297			9,297
Movement				
Balance at 1 July 2007	10,647	-	-	10,647
Depreciation expense (Note 6)	(1,350)	-	-	(1,350)
Balance at 30 June 2008	9,297	-	-	9,297
2007				
Cost	11,158	-	-	11,158
Accumulated depreciation	(511)	-	-	(511)
Net book value	10,647	-	-	10,647

13 Investment Accounted for Using Equity Method

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Investment in unlisted entity	182,985	-	182,985	-

The investment comprises a 45% (2007: Nil) controlling interest in Discovery Company Limited registered in Kazakhstan. This company was not operating as at 30 June 2008.

14 Intangible Assets

Consolidated	Goodwill	Land Use and Mining Rights	Total
	\$	\$	\$
Balance at 1 July 2006	-	-	-
Goodwill on consolidation	1,766,508	-	1,766,508
Land use and mining rights at valuation	-	8,424,142	8,424,142
Accumulated amortization and impairment	(1,766,508)	(8,424,142)	(10,190,650)
Balance at 30 June 2007	-	-	-
Balance at 30 June 2008	-	-	-
Movement			
Net book value as at 1 July 2006	1,678,183	8,400,108	10,078,291
Amortisation for the year	-	(246,368)	(246,368)
Foreign exchange translation	-	(1,198,014)	(1,198,014)
Write-down of intangibles	(1,678,183)	(6,955,726)	(8,633,909)
Net book value at 30 June 2007	-	-	-
Net book value at 30 June 2008	-	-	-

(a) Impairment tests for goodwill

Goodwill is allocated to cash-generating units which are based on the CWH Group's business segments. As goodwill has been fully written off in the prior year, no impairment testing has been undertaken.

The recoverable amount of each cash-generating unit is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections based on forecasts over a five year period.

(b) Key assumptions used for the value-in-use calculations

Key assumptions used in the value in use calculation have not been determined given that goodwill has been fully impaired.

15 Trade and Other Payables

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current				
Trade creditors	623,167	487,842	7,695	10,728
Other payables and accrued expenses	3,459,714	2,643,040	218,442	217,859
Payable to directors	92,180	40,500	92,180	40,500
	4,175,061	3,171,382	318,317	269,087
Non-current				
Payable to related parties	-	-	413,063	413,063
Payable to third parties	106,694	349,783	-	-
	106,694	349,873	413,063	413,063

The CWH Group's and the Company's exposure to foreign exchange risk is detailed in Note 2.

16 Loans and Borrowings

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current				
Loans from directors	348,369	621,772	7,328	7,328
Term loans - secured *	1,609,270	3,450,468	-	-
Borrowings - unsecured	83,888	-	-	-
Payables to Chongqing Yuao	-	-	2,382,409	2,455,216
	2,041,527	4,072,240	2,389,737	2,462,544

* The term loan is secured by Plant and Machinery, Buildings and Land Use Rights.

The terms of loan facility are currently being renegotiated with no fixed instalment amounts or expiry date at present. The facility bears an interest at a rate of 7.2% per annum. The CWH Group's and the Company's exposure to interest rate risk is detailed in Note 2.

17 Share Capital

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

Movements

	Number of Shares	\$
At 1 July 2006	61,240,256	13,621,570
Ordinary shares issued during the year ended 30 June 2007	9,186,000	551,161
At 30 June 2007 and 2008	70,426,256	14,172,731

18 Reserves and Accumulated Losses

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) Foreign Currency Translation Reserve				
Balance at the beginning of the year	(1,477,554)	(179,878)	-	-
Net exchange differences on translation of foreign controlled entity	(786)	(1,297,676)	-	-
Balance at the end of the year	(1,478,340)	(1,477,554)	-	-
(b) General Reserve				
Balance at the beginning and end of the year	272,800	272,800	-	-
(c) Accumulated Losses				
Balance at the beginning of the year	(12,462,981)	(1,042,418)	(16,004,208)	(1,422,855)
Unreconciled loss in prior years	(573,940)	-	-	-
Profit/(loss) for the year	1,191,996	(10,947,373)	(543,115)	(14,581,353)
Minority share of loss in Armourglass Secure Sdn Bhd assumed by the CWH Group	-	(473,190)	-	-
Balance at the end of the year	(11,844,925)	(12,462,981)	(16,547,323)	(16,004,208)

(d) Nature and Purpose of Reserves

Foreign Currency Translation Reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in Note 1(d)(iii). The reserve is recognised in profit and loss when the net investment is disposed of.

General Reserve

The general reserve records statutory funds set aside from an overseas controlled entity of the parent entity under the Company Law requirements and relevant financial regulations in the country of domicile, for future expansion of the economic entity and for providing employees facilities and other collective benefits.

(e) Minority Interest

Losses applicable to minority interests in a subsidiary exceed their interests in the subsidiary's equity as at 30 June 2008. In the absence of any binding obligation for the minorities to make additional investment to cover the losses, the excess will be allocated to the majority interests.

19 Key Management Personnel Disclosures

The following persons were directors of China West International Holdings Limited during the year.

(a) Directors

Bao Cheng Luo	Kim Weng Chong
Charles Sher	John Hibberd
Ping Mo	John McLenaghan
Ge Yang	

(b) Other Key Management Personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the CWH Group, directly or indirectly, during the financial year:

<u>Name</u>	<u>Position</u>	<u>Employer</u>
Ke Qin Xie	General Manager	Chongqing Yuao Building Materials Co., Ltd.
De Ming Zhao	Vice General Manager - Manufacturing	Chongqing Yuao Building Materials Co., Ltd.
De Yu Ren	Vice General Manager - Quality Control	Chongqing Yuao Building Materials Co., Ltd.
Ru Qin Cheng	Assistant General Manager - Marketing	Chongqing Yuao Building Materials Co., Ltd.
Liang Yuan Xiao	Financial Manager	Chongqing Yuao Building Materials Co., Ltd.

(c) Key Management Personnel Compensation

	<u>Consolidated</u>		<u>Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Short-term employee benefits	126,431	146,106	57,480	54,00
Post employment benefits	3,951	4,452	-	-
	130,422	150,558	54,480	54,000

The Company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information is detailed in the Sections A to D of remuneration report on pages 8 to 11.

(d) Equity Instrument Disclosures Relating to Key Management Personnel

There is no employee or executive share option plan. No shares were issued to any employee or director of the Company during the year.

(ii) Share Holdings

The numbers of shares in the Company held during the financial year by each director of China West International Holdings Limited and other key management personnel of the CWH Group, including their personally related parties, are set out below.

Name	Balance at the start of the year	Purchased	Other changes during the year	Balance at the end of the year
2008				
Directors of China West International Holdings Limited				
<i>Ordinary shares</i>				
Bao Cheng Luo	7,000,000	-	-	7,000,000
Ke Qin Xie	8,700	-	-	8,700
Total directors' share holdings	7,008,700	-	-	7,008,800

Name	Balance at the start of the year	Purchased	Other changes during the year	Balance at the end of the year
2007				
Directors of China West International Holdings Limited				
<i>Ordinary shares</i>				
Bao Cheng Luo	7,000,000	-	-	7,000,000
Ke Qin Xie	8,700	-	-	8,700
Total directors' share holdings	7,008,700	-	-	7,008,800

(e) Loans to Key Management Personnel

There were no loans made to directors of China West International Holdings Limited or other key management personnel of the CWH Group, including their personally related parties during the years ended 30 June 2008 and 30 June 2007.

20 Contingencies

There are no contingent liabilities as at 30 June 2008.

21 Remuneration of Auditors

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related firms:				
Assurance Services				
Fees paid to the auditor of the Company:				
- Audit and review of financial reports KPMG	130,000	-	130,000	-
- Audit and review of financial reports Grant Thornton	-	73,000	-	32,655
Fees paid to other firms:				
- Review of financial reports for CWH controlled entities	-	20,433	-	-
Total for assurance services	130,000	93,433	130,000	32,655
Taxation Services				
Fees paid to the auditor of the parent company:				
- Tax compliance services	-	15,000	-	-
Total for taxation services	-	15,000	-	-

22 Commitments

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Operating Leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	33,706	-	27,300	-
More than one year but less than five years	17,062	-	17,062	-
Total operating leases	50,768	-	44,362	-

The CWH Group had no significant commitments for capital expenditure authorised but not contracted for as at 30 June 2008.

23 Related Party Transactions

(a) Parent Entities

The Company within the CWH Group is China West International Holdings Limited which is the ultimate Australian Company. The ultimate Company is Beltrading International Corp, registered in the British Virgin Islands.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 24.

(c) Key Management Personnel

Disclosures relating to key management personnel are set out in Note 21.

(d) Transactions and Balances with Wholly Owned Subsidiaries

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>(i) Transactions with wholly owned subsidiaries</i>				
Repayment of loan to subsidiary company	-	-	72,808	-
<i>(ii) Balance outstanding with wholly owned subsidiaries</i>				
Loan from subsidiary company	-	-	2,382,409	2,455,217

(e) Transactions and Balances with Directors' Related Parties

Transactions with directors' related parties are on normal commercial terms no more favourable than those available to other parties unless otherwise stated.

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>(i) Transactions and Balances with Directors' Related Parties</i>				
Loan repaid to directors	(273,403)	-	-	-
<i>(ii) Balance outstanding with directors related parties</i>				
Amount payable to director	348,369	621,772	7,328	7,328

No provisions for doubtful debts have been raised in relation to any outstanding balances and no expense has been recognised in respect of doubtful debts due from director's related parties.

24 Subsidiaries

The consolidated financial statements incorporate the assets and liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b).

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding %	Equity Holding %
			2008	2007
Chongqing Yuao Building Materials Co., Ltd	China	Ordinary	100%	100%
Chinawest International Pte Ltd	Singapore	Ordinary	100%	100%
Armourglass Secure Sdn Bhd	Malaysia	Ordinary	60%	60%

25 Subsequent Events

There were no material events subsequent to reporting date impacting upon the parent or controlled entity.

26 Reconciliation of profit after income tax to net cash inflow/(outflow) from operating activities

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>Reconciliation of loss after income tax to net cash outflow from operating activities</i>				
Profit/(loss) for the year	1,191,996	(10,981,247)	(543,115)	(14,615,227)
Depreciation	406,441	639,043	1,350	511
Loss on disposal of plant and equipment	44,834	-	-	-
Write down of assets	-	8,893,909	-	13,958,272
Bad debts	-	840,336	-	840,336
Fair value gains	-	(152,772)	-	(152,772)
Impairment loss on assets	702,613	-	702,613	-
Gain on debt-restructuring	(1,745,301)	-	-	-
<i>Operating profit before change in working capital and provisions</i>				
Decrease in trade and other receivables	142,455	298,495	10,448	(430,393)
Increase in inventories	(278,724)	(502,706)	-	-
Increase in financial assets	-	(86,517)	-	(86,445)
Increase in trade and other payables	730,675	2,359,328	49,266	223,350
Increase/(decrease) in tax liabilities	523,384	(33,605)	-	32,440
Net cash inflow/(outflow) from operating activities	1,718,373	1,274,264	220,562	(289,928)

27 Earnings Per Share

	Consolidated	
	2008	2007
(a) Basic and diluted earnings/(losses) per share, cents	1.69	(17.89)
	\$	\$
(b) Earnings used in calculating earning per share Profit/(Loss) attributable to the ordinary equity holders of the Company used in calculating earnings per share	1,191,996	(10,981,247)
(c) Weighted average number of shares used as the denominator Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and alternative basic earnings per share	70,426,256	61,391,259

28 Financial instruments

The principles and policies the CWH Group has developed in relation to financial risk management is set out in Note 2.

Interest rate risk

The following table sets out the CWH Group's exposure to interest rate risk, including the contractual pricing dates and the effective weighted average interest rate by maturity periods. The carrying amount of the financial assets and liabilities approximate their fair value.

2008	Interest Rate	Floating Interest Rate	Fixed Interest Rate Less Than 1 Year	Fixed Interest Rate from 1 to 5 Years	Non-Interest Bearing	Total
Financial Assets		\$	\$	\$		\$
Cash and cash equivalents	4%	93,569	-	-	-	93,569
Trade and other receivables	N/A	-	-	-	911,357	911,357
Financial assets	N/A	-	-	-	496,350	496,350
Total financial assets		93,569	-	-	1,407,707	1,501,276
Financial Liabilities						
Trade and other payables	N/A	-	-	-	4,175,061	4,175,061
Financial liabilities	7%	-	2,041,527	-	-	2,041,527
Total financial Liabilities		-	2,041,527	-	4,175,061	6,216,588

Financial Instruments (continued)

2007	Interest Rate	Floating Interest Rate	Fixed Interest Rate Less Than 1 Year	Fixed Interest Rate 1 to 5 Years	Non-Interest Bearing	Total
		\$	\$	\$		\$
Financial assets						
Cash and cash equivalents	4%	1,060,963	-			1,060,963
Trade and other receivables	N/A	-	-		943,080	943,080
Financial assets	N/A	-	-		679,217	679,217
Total financial assets		1,060,963	-		1,622,297	2,683,260
Financial liabilities						
Trade and other payables	N/A	-		349,783	3,171,382	3,521,165
Financial liabilities	8%	-	4,072,240	-	-	4,072,240
Total financial Liabilities		-	4,072,240	349,783	3,171,382	7,593,405

Group sensitivity

Foreign exchange

Based on the financial instruments held at 30 June 2008, had the Australian dollar weakened/strengthened by 10% against the RMB with all variables held constant, the CWH Group's post-tax profit for the year would have been \$240,000 lower / \$240,000 higher, mainly as a result of foreign exchange gains/losses on translation of RMB denominated financial instruments as detailed in the above table.

Interest rates

At 30 June 2008, if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables held constant, post-tax profit of the CWH Group for the year would have been \$24,000 lower / \$24,000 higher (2007: \$80,000) mainly as a result of higher/lower interest expense on bank borrowings.

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 20 to 53, 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 30 June 2008 and of their performance for the 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.

- 2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2008.

Signed in accordance with a resolution of the directors:



Bao Cheng Luo
Chairman of the Board

Dated this 1st day of April 2009



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

Report on the Financial Report

We have audited the accompanying financial report of China West International Holdings Limited ("the Company") and its controlled entities ("the CWH Group"), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of changes in recognised income and expense and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 28 and the directors' declaration of the CWH Group comprising the Company and entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the 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 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. In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the CWH Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

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



Independence

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

Basis for Qualified Auditor's Opinion

As at 30 June 2008, the CWH Group has a working capital deficiency of \$4,170,338 that includes \$1,599,966 of bank loans currently overdue. As disclosed in Note 1(a) to the 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 bank loans in the coming twelve months. 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 audit report, there is insufficient audit evidence to support Mr Bao Cheng Luo's ability to honour this guarantee.

Qualified Auditor's Opinion

In our opinion:

- (a) except for the effect on the financial report of the matter referred to in the qualification paragraph, the financial report of China West International Holdings Limited and its controlled entities is 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 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report of the CWH Group also complies with International Financial Reporting Standards as disclosed in Note 1.



Report on the remuneration report

We have audited the remuneration disclosures that are contained in those sections specifically identified as "Audited" within the remuneration report included in the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of China West International Holdings Limited for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Mark Epper
Partner

Sydney

1 April 2009

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 6 February 2009.

a) Twenty Largest Shareholders

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

	Number of shares	% of ordinary shares
BELTRADING INTERNATIONAL CORP.	40,476,059	57.47%
STANDFOD GLOBAL LTD	9,186,000	13.04%
BAO CHENG LUO	7,000,000	9.94%
CHANG XING XU	3,333,333	4.73%
MERILL LYNCH	1,012,084	1.44%
JESSIE LIM SIEW LING	842,818	1.20%
YOKE NGOH FONG	756,900	1.07%
FAIRMOUNT OFFSHORE INC.	736,098	1.05%
PARTNER VENTURE HOLDINGS	693,190	0.98%
PHIROSE MAINE	330,000	0.47%
CHEW WENG KIT	245,316	0.35%
CHANGXING XU	243,670	0.35%
QI WANG	219,680	0.31%
WILLIAM EDMUND BRENT	202,415	0.29%
TANG TAO	176,000	0.25%
TING ZHANG	135,335	0.19%
LEI WEI	130,500	0.19%
HUSSEIN MOHAMMED ZEDAN	100,000	0.14%
FANG LIU	95,800	0.14%
HK 1 LIMITED	83,334	0.12%
Total	<u>65,998,532</u>	<u>83.49%</u>

b) Distribution of Equity Securities

The numbers of shareholders, by size of holding, in each class of shares are:

	Number of Holders	Number of Ordinary Shares
1 to 1,000	617	163,811
1,001 to 5,000	126	267,600
5,001 to 10,000	285	2,412,435
10,001 to 100,000	68	1,898,347
100,001 and over	17	65,684,063
Total	<u>1,113</u>	<u>70,426,256</u>

ASX ADDITIONAL INFORMATION

c) Substantial shareholders

Substantial shareholders (owning more than 5% of the share capital) in China West International Holdings Limited at 31 July 2008 are set out below.

	Number of Ordinary Shares	%
Beltrading International Corp	40,476,059	57.47%
Standford Global Ltd	9,186,000	13.04%
Bao Cheng Luo	7,000,000	9.94%

d) Voting Rights

All ordinary shares carry one vote per share without restriction.

e) Securities Exchange

The Company's securities are not quoted on any securities exchange other than the Australian Securities Exchange.

f) Buy Back

There is not a current on-market buy-back.

ASX ADDITIONAL INFORMATION

h) Directors' Interests in Securities

Directors' relevant interests in securities of which the director is the registered holder

Shares

Director	Direct Interests	Indirect Interests
Bao Cheng Luo	7,000,000	40,476,059

Directors

Bao Cheng Luo
Hock Guan Charles Sher
John McLenaghan
Ernest Wong
Fu Man Chang
Xie Ke Qin
Wang Wei Guo

Company Secretary

John Bell

Registered Office

Suite 1503, Level 15, 97-99 Bathurst Street, Sydney NSW 2000

Auditors

KMPG
10 Shelley Street
Sydney NSW 2000

Share Registry

Computershare Registry Investors Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
Perth WA 6000

Web-site

www.cwh.com.au

Contact Information

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