



陝西西北新技術實業股份有限公司

SHAANXI NORTHWEST NEW TECHNOLOGY INDUSTRY COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 8258)

Interim 2007 Report

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This report, for which the directors (the “Directors”) of Shaanxi Northwest New Technology Industry Company Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to Shaanxi Northwest New Technology Industry Company Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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SUMMARY

- For the six months ended 30 June 2007, a turnover of RMB30,753,000 was recorded, representing an increase of 23.28% over the same period of the previous year.
- For the six months ended 30 June 2007, a profit of RMB3,595,000 was recorded, representing an increase of 2.2% over the same period of the previous year.
- The Directors do not recommend the payment of any dividend for the six months ended 30 June 2007.

FINANCIAL INFORMATION

INTERIM RESULTS

The board of Directors (the “Board”) of Shaanxi Northwest New Technology Industry Company Limited (the “Company”) hereby announces the unaudited operating results of the Company for the three months and the six months ended 30 June 2007 and the unaudited comparative figures for the corresponding period in 2006 as follows:

UNAUDITED INCOME STATEMENT

For the three months and six months ended 30 June 2007

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Turnover	2	19,838	14,475	30,753	24,945
Cost of sales		(14,053)	(9,903)	(22,239)	(17,504)
Gross profit		5,785	4,572	8,514	7,441
Distribution costs		(475)	(33)	(727)	(73)
Administrative expenses		(945)	(786)	(2,315)	(2,301)
Operating profit		4,365	3,753	5,472	5,067
Finance costs		(1,101)	(776)	(1,877)	(1,551)
Profit before taxation		3,264	2,977	3,595	3,516
Taxation	3	–	–	–	–
Net profit (loss)		3,264	2,977	3,595	3,516
Dividend		–	–	–	–
Earnings per share	5	RMB0.004	RMB0.003	RMB0.004	RMB0.004

BALANCE SHEET

	<i>Note</i>	Unaudited As at 30 June 2007 RMB'000	Audited As at 31 December 2006 RMB'000
Non-current assets			
Property, plant and equipment	6	91,566	86,973
Land lease premium		21,325	21,582
		112,891	108,555
Current assets			
Investories		4,184	4,434
Account and other receivables and prepayments	7	2,207	3,915
Land lease premium		514	514
Due from a fellow subsidiary		13,899	13,899
Bank balances – restricted		–	86,022
Bank balances and cash		58,829	3,039
		79,633	111,823
Current liabilities			
Account and other payables	8	18,794	22,830
Due to ultimate holding company		98	3,098
Taxation payable		4,936	4,948
Bank borrowings		30,000	54,401
		53,828	85,277
Net current assets (liabilities)		25,805	26,546
Net assets		138,696	135,101
Capital and reserves			
Share capital	9	91,000	91,000
Reserves		47,696	44,101
		138,696	135,101

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Unaudited	
	For the six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Net cash used in operating activities	489	3,570
Net cash used in investment activities	(6,320)	(45)
Net cash from financing	(24,401)	(99)
Increase/(decrease) in bank balance and cash	(30,232)	3,426
Bank balance and cash as at 1 January	89,061	87,072
Bank balance and cash as at 30 June	58,829	90,498

STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Share capital	Reserves	Total equity
	RMB'000	RMB'000	RMB'000
At 1 January 2006	91,000	30,077	121,077
Earnings (loss) for the period	–	3,516	3,516
Payment of dividend	–	–	–
At 30 June 2006	91,000	33,593	124,593
At 1 January 2007	91,000	44,101	135,101
Earnings (loss) for the period	–	3,595	3,595
Payment of dividend	–	–	–
At 30 June 2007	91,000	47,696	138,696

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim accounts (“interim accounts”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“HKSSAP”) 2.125 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, and Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong. The interim accounts should be read together with our 2006 annual accounts.

The accounting policies and methods of computation adopted in the preparation of this interim accounts are consistent with those used in the annual accounts for the year ended 31 December 2006.

Certain comparative figures have been reclassified to conform with the presentation of the current period.

2. SEGMENTAL INFORMATION

The turnover and results of the Company during the periods are analyzed in terms of business segments as follows:

For the six months ended 30 June 2007

	FA-90 and others	FA-D	FA-J	Ferrocene	Total (RMB'000)
Turnover	30,753				30,753
Cost of sales	(22,239)				(22,239)
Gross profit	8,514				8,514
Distribution costs					(727)
Administrative expenses					(2,315)
Finance costs					(1,877)
Other operating income					-
Profit before taxation					3,595
Taxation					-
Net profit					<u>3,595</u>

For the six months ended 30 June 2006

	FA-90 and others	FA-D	FA-J	Ferrocene	Total (RMB'000)
Turnover	24,945				24,945
Cost of sales	(17,504)				(17,504)
Gross profit	7,441				7,441
Distribution costs					(73)
Administrative expenses					(2,301)
Finance costs					(1,551)
Other operating income					-
Profit before taxation					3,516
Taxation					-
Net profit					<u>3,516</u>

3. TAXATION

Taxes charged from the profit and loss account are as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
PRC (Note)	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

Note: Taxes in respect of profit derived in the PRC are provided on the estimated assessable profit for the period at the applicable tax rate in the PRC.

4. INTERIM DIVIDEND

The Board does not recommend the payment of the interim dividend for the period (2006: Nil).

5. EARNINGS PER SHARE

The earnings per share for the three months and six months ended 30 June 2007 are both RMB0.004. Calculations are based on the total share capital of 910,000,000 shares.

6. FIXED ASSETS

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
At the beginning of the period	86,973	90,636
Additions	6,320	6,209
Disposals	–	(10,921)
Transfers	–	304
Depreciation charges	(1,879)	(4,074)
Elimination on disposals	152	4,819
	<u>91,566</u>	<u>86,973</u>
At the end of the period	<u><u>91,566</u></u>	<u><u>86,973</u></u>

7. ACCOUNT RECEIVABLES AND OTHER RECEIVABLES

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
Account receivables	2,094	3,110
Other receivables	113	805
	<u>2,207</u>	<u>3,915</u>

8. ACCOUNT PAYABLES AND OTHER PAYABLES

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
Account payables	323	508
Other payables	-	22,322
Accrued expenses	18,471	-
	<u>18,794</u>	<u>22,830</u>

9. SHARE CAPITAL

	As at 30 June 2007		As at 31 December 2006	
	Number of shares	RMB'000	Number of shares	RMB'000
Authorised				
Ordinary shares of nominal value of RMB0.1 each	910,000,000	91,000	910,000,000	91,000
Issued and fully paid at the end of the period	910,000,000	91,000	910,000,000	91,000

10. PLEDGE OF ASSETS

Bank	Loan amount (RMB'000)	Status of pledges
Bank of Communications	1,500	Pledge over the land use right of the Technology Park of the Company
China Merchants Bank	1,500	Pledge over the construction project of the Technology Park of the Company

11. COMMITMENTS

(a) Capital commitments

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
Capital expenses of property, plant and equipment		
– Authorised but not contracted for	–	–
– Contracted for but not yet provided for in the statements	6,278	12,598

12. SUBSEQUENT EVENTS

Taxation

Tax payable in respect of profits arising in the PRC have been provided at the applicable rate of 15% in the PRC on the assessable profit.

There is no material deferred taxation not provided for during the Relevant Period or on the respective balance sheet dates.

Dividend

The Directors do not recommend the payment of any dividend for the three months and six months ended 30 June 2007 (For the six months ended 30 June 2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2007, the unaudited turnover of the Company was approximately RMB30,753,000, representing an increase of 23.28% over the corresponding period of the previous year. The unaudited profit for the six months ended 30 June 2007 was RMB3,595,000, representing an increase of 2.2% over the same period of the previous year. The percentage of increase in net profit is less than that of turnover, which is mainly due to the payment in the first quarter of 2007 of an amount of payable sales cost incurred in 2006.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2007, the shareholders' equity of the Company was approximately RMB138,696,000 (31 December 2006: RMB135,101,000); cash and bank balances denominated in Renminbi were approximately RMB58,829,000 (31 December 2006: RMB89,061,000); current assets were about RMB79,633,000 (31 December 2006: RMB111,823,000); and current liabilities were approximately RMB53,828,000 (31 December 2006: RMB85,277,000), which mainly comprised short-term bank loans of RMB30,000,000.

Acquisition and Disposal of Substantial Investments and Subsidiaries

For the six months ended 30 June 2007 and the corresponding period of the previous year, there was no significant investment or significant acquisition or disposal of subsidiaries and associates.

Future Significant Investment Plans and Expected Capital Sources

There was no other significant investment plan as at 30 June 2007.

CAPITAL COMMITMENTS

Disclosed in Note 11 to the condensed interim results.

GEARING RATIO

The gearing ratio as at 30 June 2007 (calculated as the ratio of total loan to net assets) was 21.63% (31 December 2006: 40.26%).

EXCHANGE RATE RISK

The Directors believe that there will be no significant exchange rate risk because all the income and expenditure of the Company are denominated and paid in Renminbi.

CONTINGENT LIABILITY

As at 30 June 2007, there was no significant contingent liabilities.

Business Development

As at 30 June 2007, the Company concentrated its effort on the sales of FA-90 with sales of RMB30,753,000, representing an increase of 23.28% over the corresponding period of previous year.

OTHER INFORMATION

DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS IN SHARES

As at 30 June 2007, the interests or short positions of the Directors, supervisors and chief executives of the Company in shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Interests in domestic shares of the Company (long positions)

Name	Capacity	Number of domestic shares	Approximate shareholding percentage in the entire issued domestic shares	Approximate shareholding percentage in the entire issued share capital of the Company
Wang Cong (Note 1)	Interest of controlled corporation	548,000,000	80.58%	60.22%
Zheng Rongfang	Beneficial owner	2,000,000	0.29%	0.22%
Wang Feng	Beneficial owner	2,000,000	0.29%	0.22%
Zheng Yinglin	Beneficial owner	2,000,000	0.29%	0.22%
Yan Buqiang	Beneficial owner	2,000,000	0.29%	0.22%

Interests in associated corporations (long positions)

Name	Name of associated corporation	Capacity	Number of securities	Approximate shareholding percentage in the entire issued share capital
Wang Cong (Note 2)	Xi'an Tian Cheng Environmental Technology Development Company Limited (西安天成環保科技發展有限公司)	Interest of controlled corporation	13,745,460 ordinary shares	98.18%

Notes:

1. The 548,000,000 domestic shares are held by Xi'an Northwest Industry (Group) Company Limited (西安西北實業(集團)公司) (formerly known as Xi'an Fan Sen Property Development Company Limited (西安凡森置業發展有限公司)) ("Northwest Group"), which is beneficially owned as to 98% by Wang Cong. Wang Cong is deemed to be interested in 548,000,000 domestic shares.
2. Tian Cheng Environmental Technology Development Company Limited (天成環保科技發展有限公司) is a 98% owned subsidiary of Northwest Group, the holding company of the Company, and is thus an associated corporation of the Company.

DIRECTORS' AND SUPERVISORS' INTERESTS IN UNDERLYING SHARES OF EQUITY DERIVATIVES

Save as disclosed above, none of the Directors or supervisors was granted any options to subscribe for shares in the Company during the six months ended 30 June 2007.

INTERESTS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, the persons (other than the Director, supervisor or chief executive of the Company) who have an interest or short position in any share or underlying share of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Interests in domestic shares of the Company (long positions)

Substantial shareholders

Name	Capacity	Number of domestic shares	Approximate shareholding percentage in the entire issued domestic shares	Approximate shareholding percentage in the entire issued share capital of the Company
Northwest Group	Beneficial owner	548,000,000	80.58%	60.22%
Shaanxi Jing Dian Investment Company Limited (陝西精典投資有限公司) ("Jing Dian Investment")	Beneficial owner	120,000,000	17.64%	13.19%
Ding Xianguang (<i>Note</i>)	Interest of controlled corporation	120,000,000	17.64%	13.19%
Zhang Jianming (<i>Note</i>)	Interest of controlled corporation	120,000,000	17.64%	13.19%

Note: Each of Ding Xianguang and Zhang Jianming is beneficially interested in 40% of the equity interest in Jing Dian Investment, and is deemed to be interested in 120,000,000 domestic shares under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme. The major terms and conditions of the share option scheme are set out in the section headed “Share option scheme” in Appendix VI to the Prospectus. As at 30 June 2007, no share option has been granted under the share option scheme.

COMPETING INTEREST

None of the Directors and the management shareholders (as defined under the GEM Listing Rules) of the Company had any interest in a business which competes or may compete with the business of the Group.

AUDIT COMMITTEE

The Company has established an audit committee on 6 July 2002 in compliance with Rules 5.23 and 5.24 of GEM Listing Rules. The committee has definite responsibilities and scope of duties. The principal duties of the audit committee are to review the annual reports and accounts, interim reports and quarterly reports of the Company and to provide relevant recommendations and advice to the Board and supervise the financial reporting process and internal control system of the Company. The audit committee comprises two independent non-executive Directors, namely Mr. Li Gangjian and Mr. Wei Dazhi and one non-executive Director, namely Ms. Zheng Rongfang. Mr. Li Gangjian is the chairman of the audit committee.

The unaudited interim accounts for the six months ended 30 June 2007 have been reviewed by the audit committee of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions in the Code on Corporate Governance Practice (the “Code”) as set out in Appendix 15 of the GEM Listing Rules during the six months ended 30 June 2007 subject to the deviation disclosed hereof.

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Following the removal of Mr. Wang Zheng from the post of president of the Company in June 2006, Mr. Wang Cong held the offices of Chairman and president of the Company since then. The Board is in the process of identifying a suitable candidate to fill the role of president.

SECURITIES TRANSACTIONS CONDUCTED BY DIRECTORS

Since the listing of the Company on GEM on 3 July 2003, the Company had adopted a code of conduct regarding the securities transactions by Directors on terms no less exacting than the required standard of dealings. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the six months ended 30 June 2007.

REPURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company did not purchase, sell or redeem any of the Company's listed securities during the six months ended 30 June 2007.

By order of the Board
Shaanxi Northwest New Technology Industry Company Limited*
Wang Cong
Chairman

Xi'an, the People's Republic of China, 10 August 2007

As at the date of this report, the Board comprises:

Executive directors:	Mr. Wang Cong, Mr. Wang Feng, Mr. Gao Peng, and Mr. Yang Xiaohuai
Non-executive directors:	Mr. Guo Bin and Ms. Zheng Rongfang
Independent non-executive directors:	Mr. Li Gangjian, Mr. Chen Tao and Mr. Wei Dazhi

* *For identification purpose only*