



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 Report
2010

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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 2010, a turnover of RMB21,790,000 was recorded, representing an increase of 86% against that of the corresponding period in the previous year.
- For the six months ended 30 June 2010, a profit of RMB56,000 was recorded, representing a decrease of 98% against that of the same period of the previous year.
- The Directors do not recommend the payment of any dividend for the six months ended 30 June 2010.

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 six months ended 30 June 2010 and the unaudited comparative figures for the corresponding period in 2009 as follows:

UNAUDITED INCOME STATEMENT

For the three months and six months ended 30 June 2010

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Turnover	2	12,333	700,7	21,791	11,662
Cost of sales		(10,027)	(5,621)	(18,205)	(9,391)
Gross profit		2,306	1,386	3,586	2,271
Distribution costs		(589)	(40)	(628)	(77)
Administrative expenses		(713)	(782)	(2,995)	(2,046)
Operating profit		1,004	564	(37)	148
Finance costs		37	(563)	93	(1,126)
Other incomes		-	4,100	-	4,100
Profit before taxation		1,041	4,101	56	3,122
Taxation	3	-	-	-	-
Net profit (loss)		1,041	4,101	56	3,122
Dividend		-	-	-	-
Earnings per share		RMB0.001	RMB0.0045	RMB0.00006	RMB0.0034

BALANCE SHEET

		Unaudited As at 30 June 2010 RMB'000	Audited As at 31 December 2009 RMB'000
Non-current assets			
Property, plant and equipment		29,186	29,194
Land lease premium		7,792	7,878
		36,978	37,072
Current assets			
Inventories		5,662	6,209
Account and other receivables and prepayments	6	20,621	35,897
Land lease premium		210	210
Due from fellow subsidiaries		-	-
Bank balances – restricted		-	-
Bank balance and cash		58,087	978
Assets classified as to be held for sale		-	50,000
		84,580	93,294
Current liabilities			
Account and other payables	7	600	508
Due to ultimate holding company		-	252
Taxation payable		(226)	5,568
Accruals and other payables		8,136	11,246
		8,710	17,574
Net current assets (liabilities)		75,870	75,720
Net assets		112,848	112,792
Capital and reserves			
Share capital	8	91,000	91,000
Reserves		21,848	21,792
		112,848	112,792

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2010

	Unaudited	
	For the six months	
	ended 30 June	
	2010	2009
	RMB'000	RMB'000
Net cash used in operating activities	7,109	49,543
Net cash used in investment activities	50,000	–
Net cash from financing	–	(15,000)
Increase/(decrease) in bank balance and cash	57,109	34,543
Bank balance and cash as at 1 January	978	9,524
Bank balance and cash as at 30 June	58,087	44,067

STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Share capital	Reserves	Total equity
	RMB'000	RMB'000	RMB'000
At 1 January 2009	91,000	44,775	135,775
Earnings (loss) for the period	–	3,122	3,122
Payment of dividend	–	–	–
At 30 June 2009	91,000	47,897	138,897
At 1 January 2010	91,000	47,897	138,897
Earnings (loss) for the period	–	56	56
Payment of dividend	–	–	–
At 30 June 2010	91,000	47,953	138,953

NOTES TO THE CONDENSED 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 2009 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 2009.

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

2. SEGMENTAL INFORMATION

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

For the six months ended 30 June 2010

	FA-90 and others	Thiol	Total (RMB'000)
Turnover	19,766	2,025	21,791
Cost of sales	(16,418)	(1,787)	(18,205)
Gross profit	3,348	238	3,586
Distribution costs			(628)
Administrative expenses			(2,995)
Finance costs			93
Other operating income			-
Profit before taxation			56
Taxation			-
Net profit			56

For the six months ended 30 June 2009

	FA-90 and others	Thiol	Total (RMB'000)
Turnover	11,662		11,662
Cost of sales	(9,391)		(9,391)
Gross profit	2,271		2,271
Distribution costs			(77)
Administrative expenses			(2,046)
Finance costs			(1,126)
Other operating income			4,100
Profit before taxation			3,122
Taxation			-
Net profit			3,122

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	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
PRC (Note)	-	-	-	-
	-	-	-	-
	-	-	-	-

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 Directors do not recommend the payment of interim dividend for the period (2009: Nil).

5. EARNINGS PER SHARE

The earnings per share for the three months and six months ended 30 June 2010 are RMB0.001 and RMB0.00006 respectively.

Calculations are based on the total share capital of 910,000,000 shares.

6. ACCOUNT RECEIVABLES AND OTHER RECEIVABLES

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Account receivables	38,705	10,065
Other receivables	15,136	15,136
	<hr/> 53,841 <hr/>	<hr/> 25,201 <hr/>

7. ACCOUNT PAYABLES AND OTHER PAYABLES

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Account payables	600	508
Other payables	8,136	11,246
Accrued expenses	-	-
	<hr/> 8,736 <hr/>	<hr/> 11,754 <hr/>

8. SHARE CAPITAL

	As at 30 June 2010		As at 31 December 2009	
	Number of shares	RMB'000	Number of shares	RMB'000
Authorised				
Ordinary shares of nominal value of RMB0.1 each	<u>910,000,000</u>	<u>91,000</u>	<u>910,000,000</u>	<u>91,000</u>
Issued and fully paid at the end of the period	<u><u>910,000,000</u></u>	<u><u>91,000</u></u>	<u><u>910,000,000</u></u>	<u><u>91,000</u></u>

9. PLEDGE OF ASSETS

Nil

10. COMMITMENTS

(a) Capital commitments

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Capital expenditure of property, plant and equipment		
– Authorised but not contracted for	2	2
– Contracted for but not yet provided for in the statements	<u>-</u>	<u>-</u>

11. SUBSEQUENT EVENTS

Taxation

Taxes in respect of profit derived in the PRC are provided at the applicable rate of 15% in the PRC on the assessable profit. There is no material deferred tax 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 2010 (For the six months ended 30 June 2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2010, the unaudited turnover of the Company was RMB21,790,000, representing an increase of 86% against that of the corresponding period of the previous year. The unaudited profit for the six months ended 30 June 2010 was RMB56,000, representing a decrease of 98% over that of the same period of the previous year. The substantial decrease in profit was mainly attributable to the offset loss of RMB980,000 in the first quarter of 2010. As the production and sales of thiol products resumed in the second quarter of 2010 as well as an increase in the sales of FA-90, the Company's profitability has been improved, not only recouped the loss of the first quarter, but also took a favorable turn from loss to profit. For the three months ended 30 June 2010, the unaudited turnover was RMB12,300,000, and the unaudited profit was RMB1,040,000.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2010, the shareholders' equity of the Company was approximately RMB112,848,000 (31 December 2009: RMB112,792,000); cash and bank balances denominated in Renminbi were approximately RMB58,087,000 (31 December 2009: RMB978,000); current assets were about RMB84,580,000 (31 December 2009: RMB93,294,000); and current liabilities were approximately RMB8,710,000 (31 December 2009: RMB17,574,000).

Acquisition and Disposal of Substantial Investments and Subsidiaries

For the six months ended 30 June 2010 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 2010.

CAPITAL COMMITMENTS

Disclosed in Note 10 to the condensed interim results.

GEARING RATIO

The gearing ratio as at 30 June 2010 (calculated as the ratio of total loan to net assets) was 0% (31 December 2009: 0%).

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 2010, there were no significant contingent liabilities.

BUSINESS DEVELOPMENT

As at 30 June 2010, the Company concentrated its effort on the sales of FA-90 with sales of RMB21,790,000, representing an increase of 88% against that of the corresponding period of previous year. Besides, the Company resumed the production and sales of thiol products from May with sales of RMB2,025,000. As the thiol product gradually restored to its normal production level, the Company will intensify the production and sales of thiol products in the second half of the year, making both of its production and sales volume to reach a record high. Meanwhile, the Company will also promote the sales of FA-90 to strive for better results for this year.

OTHER INFORMATION

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

As at 30 June 2010, 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

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 (<i>Note 1</i>)	Interest of controlled corporation	609,500,000	89.63%	66.98%
Zheng Rongfang	Beneficial owner	2,000,000	0.29%	0.22%
Guo Qiubao	Beneficial owner	2,000,000	0.29%	0.22%
Wang Feng	Beneficial owner	2,000,000	0.29%	0.22%
Wang Zheng	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%

Note:

1. The 609,500,000 domestic shares were held by Northwest Group which is beneficially owned as to 98% by Wang Cong. Wang Cong was deemed to be interested in such 609,500,000 domestic shares.

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 2010.

INTERESTS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, the persons (other than Directors, supervisors or chief executives of the Company) who had 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	609,500,000	89.63%	66.98%
Shaanxi Jing Dian Investment Company Limited ("Jing Dian Investment")	Beneficial owner	58,500,000	8.6%	6.43%
Ding Xianguang (<i>Note</i>)	Interest of controlled corporation	58,500,000	8.6%	6.43%
Zhang Jianming (<i>Note</i>)	Interest of controlled corporation	58,500,000	8.6%	6.43%

Note: Each of Ding Xianguang and Zhang Jianming was beneficially interested in 40% of the equity interest in Jing Dian Investment, and was deemed to be interested in 58,500,000 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 2010, no share option has been granted under the share option scheme.

COMPETING INTERESTS

None of the Directors or management shareholders (as defined under the GEM Listing Rules) of the Company had any interest in businesses which compete 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 5.28 and 5.31 of the 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 2010 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 2010 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 has 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 has 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 2010.

REPURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company did not purchase, sell or redeem any of its listed securities during the six months ended 30 June 2010.

By order of the Board

Shaanxi Northwest New Technology Industry Company Limited

Wang Cong

Chairman

Xi'an, the People's Republic of China, 14 August 2010

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