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)

Annual Report
2010

* For identification purposes only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a tack record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed companies.

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 the 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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CORPORATE INFORMATION

DIRECTORS OF THE COMPANY

Executive Directors
Mr. Wang Cong *(Chairman)*
Mr. Wang Feng
Mr. Gao Peng
Mr. Yang Xiaohuai

Non-executive Directors
Ms Zheng Rongfang
Mr. Guo Bin

Independent non-executive Directors
Mr. Li Gangjian
Mr. Chen Tao
Mr. Wei Daizhi

SUPERVISORS

Mr. Yan Buqiang
Ms. Jiang Lifen
Mr. Zhang Xiaoping

INDEPENDENT SUPERVISORS

Mr. Duan Lin
Mr. Wang Gongxun

AUDIT COMMITTEE

Mr. Li Gangjian
Mr. Wei Daizhi
Mr. Chen Tao

COMPLIANCE OFFICER

Mr. Wang Feng

AUTHORIZED REPRESENTATIVES

Mr. Wang Cong
Mr. Wang Feng

AUDITOR

CCIF CPA Limited
Certified Public Accountants

LEGAL ADVISORS

As to Hong Kong law
K&L Gates

REGISTERED OFFICE

No.6, Gao Xin Yi Road
Xi'an National Hi-tech Industrial Development Zone
Xi'an, Shaanxi
The PRC

Principal Place of Business in China
No. 6, Gao Xin Yi Road
Xi'an National Hi-tech Industrial Development Zone
Xi'an, Shaanxi
The PRC

Principal Place of Business in Hong Kong
14B, Wing Cheong Commercial Building
19-25 Jervois Street
Sheung Wan
Hong Kong

Stock Code

8258

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

China Construction Bank
(Jinhua Road Branch)
No. 117, Jinhua North Road
Xi'an, Shaanxi, the PRC

China Everbright Bank (Taibai Road Branch)
No. 1 Kechuang Road, Yanta Dirstrict
Xi'an, Shaanxi, the PRC

Bank of Xi'an (Gaoxin Branch)
No. 27 Kechuang Road
Xi'an, Shaanxi, the PRC

Dear Shareholders:

On behalf of the board (the "Board") of directors of Shaanxi Northwest New Technology Industry Company Limited (the "Company"), I am pleased to present the annual report of the Company for the year ended 31 December 2010.

OPERATING PERFORMANCE

During 2010, the Company recorded a turnover of approximately RMB53,069,000 and a profit of approximately RMB9,784,000, representing an increase of 60.9% and of 142.6% from the previous year respectively. The Board does not recommend paying any final dividend for the year ended 31 December 2010.

BUSINESS STRATEGY

The Company's operations in 2010 posted considerable growth as compared with 2009. This was mainly attributable to the resumption by the Company of production and sale of 2-ETHYLHEXYL THIOGLYCOLATE (thiol products) that had made some contribution to the results for the year. However, FA-90, the Company conventional product, recorded decreases in its production and sales volume as well as corresponding income owing to the drop in demand from the Company's major customers and the withering market. In light of this situation, the management adopted a series of measures to maintain a stable profit margin in term of product sales, which included making internal improvement to reduce production cost, and adopting various means to reduce material purchasing prices through comprehensive consultation with raw material suppliers.. Meanwhile, the management intensified its effort to pursue and subdue payment of receivables, resulting in improved recovery of the same. On the other hand, the management continued to reinforce the control over the medium-scale trial production of rare-earth luminescent material products by summarizing problems emerged during the previous ones, which was completed. The medium-scale trial production was completed and the product sent to customers for their trying out. Currently, the management is paying close attention to liaision with customets in respect of active experimental cooperation with an aim to obtain customers' feedback on the outcome of trial use of the product as soon as possible, seeking early finalization and mass production of the product to forge a new business growth drive for the Company.

PROSPECT

The Directors believe that, as the Company has managed to resolve capital shortage, reduce its liabilities and increase its cash flow, the Company will have a better liquidity to expand the production scale of its existing products, further reinforce and optimize its construction of marketing network and strive for a remarkable increase in its financial results in future. Meanwhile, the Company will also reform and optimize the existing production lines, intensify the investment in development of new products, and concentrate on fostering new projects that would contribute to profit growth of the Company, so as to play an active role in enhancement and sustainable development of the Company's operating results in future. In addition to ensuring a sustainable development in our existing business, the Company will continue to expand into new business sectors which will be a new drive for significant business and profit growth, so as to reward shareholders with excellent results.

On behalf of the Board, I would like to take this opportunity to express my most sincere gratitude for the shareholders and all parties who have given their support for the Company!

Professor Wang Cong
Chairman

Xi'an, the PRC
30 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Company's turnover was approximately RMB53,069,000 for the financial year ended 31 December 2010, representing an increase of 60.9% over the previous year.

The Company's gross profit was approximately RMB9,906,000 for the financial year ended 31 December 2010. The gross profit margin of 2010 was 18.7% (2009: 19.1%).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2010, the equity of owners of the Company was approximately RMB122,576,000 (2009: RMB112,792,000); cash and bank balances were RMB49,396,000 (2009: RMB978,000); current assets amounted to RMB107,054,000 (2009: RMB43,294,000); and current liabilities amounted to approximately RMB16,438,000 (2009: RMB17,574,000).

The Company's liquidity ratio, defined as total current assets over total current liabilities, increased from 2.46 as at 31 December 2009 to 6.51 as at 31 December 2010.

SIGNIFICANT INVESTMENT HELD AND MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Company neither held any significant investment nor made any significant acquisition and disposal of subsidiaries and associates for the year ended 31 December 2010 and for the same period last year.

PLEDGE OF ASSETS

As at 31 December 2010, the Company had no pledge of assets.

SIGNIFICANT FUTURE INVESTMENT PLANS AND EXPECTED FINANCIAL RESOURCES

As at 31 December 2010, there was no significant investment plan.

GEARING RATIO

Gearing ratio, defined as total borrowings over net assets was undetermine (same period of 2009: undetermine).

CAPITAL COMMITMENT, FOREIGN EXCHANGE EXPOSURE AND CONTINGENT LIABILITIES

For the year, the Company's financial status has not been affected by the fluctuation of interest rate and any hedging.

BUSINESS REVIEW

The Company achieved the following results for the financial year ended 31 December 2010:

Products and production

The Company's principal products were FA-90 unleaded gasoline additive ("FA-90") and 2-ETHYLHEXYL THIOGLYCOLATE (thiol products) and rare-earth luminescent materials. The Company realized a sales income of RMB53,069,000 for the year.

For the financial year ended 31 December 2010, the turnover of the Company amounted to approximately RMB53,069,000, representing an increase of 60.9% over the previous year.

Sales and marketing

The Company's sales mainly relied on its existing sales and distribution network and expanded its sales channel appropriately. Sales of FA-90, the Company's product, recorded a substantial fall due to the decrease in domestic demand and an increase in its trade receivables.

EMPLOYEES AND REMUNERATION POLICY

For the year ended 31 December 2010, staff remuneration of the Company amounted to approximately RMB1,936,000 (2009: RMB1,940,000).The Company employed a total of 78 staff (2009: 71 staff). Remuneration was determined by reference to the position and duties of the staff and individual performance, qualification and experience. Discretionary bonus may be rewarded to the employees by reference to their performance to recognize their contribution. Other benefits included housing allowances and the unemployment, medical and pension schemes stipulated by the social security system of the PRC government.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Wang Cong (王聰), aged 53, is the chairman of the Company, and is responsible for the Company's overall strategic planning and the formulation of corporate policies. He graduated from the Department of Textile engineering of Northwest Textile Technical Institute (西北紡織工學院紡織工程系) with a bachelor's degree in 1982. He is receiving education in the EMBA programme of China Europe International Business School. From July 1982 to December 1990, Mr. Wang served as secretary to the delegation committee (團委書記) of Northwest Textile Technical Institute (西北紡織工學院). From February 1991 to the present, Mr. Wang has served as the deputy general manager, general manager, president and chairman of the Company or its predecessor.

Wang Feng (王峰), aged 51, is an executive Director and the general manager of the sales center of the Company. Mr. Wang is the younger brother of the Company's chairman, Mr. Wang Cong. He is responsible for the overall operations of the marketing and sales of the Company's products. From August 1981 to December 1993, Mr. Wang was the deputy general manager of An kang District Department Store (安康地區百貨公司). Mr. Wang completed a Chinese language and literature course in Shaanxi Province Broadcasting Television University (陝西省廣播電視大學) in 1993. He joined the predecessor of the Company, Northwest Industry Corporation, in June 1994. Mr. Wang was appointed as secretary to the board of Directors of the Company on 12 November 2010.

Gao Peng (高鵬), aged 37, is is an executive Director and the secretary to the board of Directors and is responsible for the Company's overall corporate and company secretarial matters. Mr. Gao graduated with a Bachelor's degree in Economics and obtained qualifications of Accountant, Registered Accountant, Certified Accountant in Securities and Independent Director. From December 1996 to April 2000, he was the Audit Manager of 中信會計師事務所. From August 2000 to May 2003, he was the Audit Manager of Deloitte Touche Tohmatsu. Since 24 July 2004, he has been the secretary to the board of Directors. Mr. Gao resigned from the office of secretary to the board of Directors of the Company on 6 August 2010.

Yang Xiaohuai (楊小懷), aged 47, is an executive Director and the financial controller of the Company. He is responsible for overseeing the operation of the accounting department and the financial matters of the Company. He graduated from Zhengzhou Aviation Industry Management Vocational School (鄭州航空工業管理專科學校) in 1984. Mr. Yang had served consecutively as the deputy head and head of the Division of Accounts, the Department of Finance, 173 Aviation Factory (航空工業173廠財務處). From May 1993 to May 2000, he served consecutively as the head of audit division, assistant to the head of the firm and deputy head of the firm of Shaanxi Yuehua Accountants Firm (陝西岳華會計師事務所). From May 2000 to September 2004, he served as deputy head of Shaanxi Kanghua Accountants Firm (陝西康華會計師事務所).

Non-executive Directors

Guo Bin (郭斌), aged 59, is a non-executive Director. Mr. Guo is a practicing lawyer in the PRC and has been a partner and director of Beijing Jiayuan Law Office (北京嘉源律師事務所), the legal adviser of the Company as to PRC law. Mr. Guo graduated from Northwest Political and Legal College (西北政法學院) in 1994 majoring in law. Mr. Guo served as the deputy director of the Safety Monitor Office of Xi'an Railway Subbureau (西安鐵路分局安全監察室) from January 1987 to September 1993. He practiced as a lawyer in the PRC in Beijing Hai He Law Office (中國北京海河律師事務所) from October 1993 to August 1995. He served as the deputy general manager of Shaanxi Branch of China Unicom (中國聯通陝西分公司) from September 1995 to June 1997 and as a lawyer in Beijing Jiahe Law Office (北京嘉和律師事務所) from July 1997 to January 2000. Mr. Gao was appointed as a nonexecutive Director in August 2002. Mr.Guo Bin has resigned from director's post in February 2011.

Zheng Rongfang (鄭榮芳), aged 64, obtained the qualification of an accountant in the PRC in October 1999. From April 1966 to June 1982, Ms. Zheng consecutively served as an accountant clerk of Xi'an Regong Monitors Factory (西安市熱工儀錶廠) and a technician of Xi'an Crane Factory (西安市起重機廠). From July 1982 to April 1993, she consecutively served in Xi'an Printing and Dyeing Factory (西安印染廠), Xi'an Cotton Embroidery Factory (西安錦花品廠) and Xi'an Gengxin Pharmaceutical Factory (西安市更新制藥廠) as factory manager and deputy factory manager. She was the head of the Finance Division of the Economic Committee of Beilin District, Xi'an, Shaanxi, the PRC (中國陝西省西安市碑林區經委財務科) from May 1993 to February 1995. Ms. Zheng joined Northwest Industry Corporation, the predecessor of the Company, in March 1995. Ms. Zheng was retired in December 2004.

Independent non-executive Directors

Li Gangjian (李剛劍), aged 47, is an independent non-executive Director. Mr. Li graduated from the People's University of the PRC (中國人民大學) in June 1991 with a doctorate degree in economics. From April 1996 to June 1997, he worked at Beijing Bite Industry Joint Stock Company Limited (北京比特實業股份有限公司) as a director and the deputy general manager. Mr. Li has been the general manager of Beijing Huizheng Financial Consultancy Company Limited (北京匯正財經顧問有限公司) since July 1998. He was appointed as an independent nonexecutive Director in January 2000.

Chen Tao (陳濤), aged 40, has obtained a Master's degree in law and is the executive supervisor of Beijing Kangsheng Law Firm (北京康盛律師事務所). Mr. Chen has extensive practical legal experience in economic field. He had served as manager of legal department of China Scientific Equipment Import and Export Company (中國科學器材進出口總公司) and the deputy supervisor of management committee of New Agricultural Technology Industry Development Zone, Weifang City, Shandong Province (山東省濰紡市農業商新技術產業開發區管委會). He found Xteam Software (China) Co. Limited in 1998. In 2000, he joined Beijing Beida Jade Bird Group (北大青鳥集團) and subsequently served as deputy president of Weifang Beida Jade Bird Hwaguang Technology Co. Ltd. (濰坊北大青鳥華光科技股份有限公司). In 2003, he was engaged by Qianghua Ziguang Environmental Protection Group (青華紫光環保集團) and served as executive president of Ziguang Huaqin Environmental Protection Joint Stock Limited Company (紫光華勤環保股份有限公司). In 2004, he found Beijing Kangsheng Law Firm (北京康盛律師事務所) jointly.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Wei Daizhi (魏大志), aged 41 is a registered accountant and a valuer of PRC. From 1992 to 1997, Mr. Wei served as the division head of the division of finance of Sichuan Coal Infrastructure Company (四川煤炭基建公司). From 1997 to 2000, he served as deputy general manager of Wanhua Investment Group (萬華投資集團). He has served as general manager of Kelin Taike Energy Technology Company Limited (科林泰克能源技術有限公司) since 2000.

SUPERVISORS

Yan Buqiang (閻步強), aged 57, is a Supervisor and the chairman of the supervisory committee of the Company and is responsible for the implementation of the Company's development plans. Mr. Yan graduated from Northwest Textile Technical Institute (西北紡織工學院) majoring in textile studies in July 1982. From July 1982 to July 1995, he served as the secretary to the delegation division (團總支書記), deputy head of equipment office, deputy head of general office and head of property office of Northwest Textile Technical Institute (西北紡織工學院). Mr. Yan joined the predecessor of the Company, Northwest Industry Corporation, in August 1995.

Jiang Lifen (姜禮芬), aged 51, has served as account officer of the finance department of the Company since January 2005. Ms. Jiang worked in Fangzhicheng Food Factory (紡織城食品廠) from October 1978 to October 1985, and served as its account officer from October 1985 to May 1996. From June 1996 to December 2004, she served as account officer of Northern Railway Sub-bureau Engineering Industry Limited(西城分局工程工業公司).

Zhang Xiaping (張小平), aged 38, has worked at the office of president of the Company since May 2004. From March 1990 to November 1996, Mr. Zhang has served at the Fire Prevention Detachment, Armed Police of Haixizhou, Qinghai Province (青海省海西洲武警消防支隊). From January 1997 to June 1997, he worked at Jinhua Mountain Mine of Tongchuan Minerals Bureau (銅川礦物局金華山礦). From September 1997 to August 2003, he worked at Xi'an High and New Xinda Commercial Products Company Limited (西安市高新新建商品有限公司).

Independent Supervisors

Duan Lin (段林), aged 48, obtained a Master's degree from Shaanxi Finance College in 1998. From 1983 to 1992, Mr. Duan worked at the People's Bank of China of Baoji City (寶雞市中國人民銀行). From 1992 to 2000, he worked at a financial institution in Hainan Province. He has served as deputy general manager of Qinghai Sanjiangyuan Securities Company Limited (青海三江源證券有限公司) since 2001.

Wang Gongxun (王公遜), aged 74, graduated from Xi'an Finance College with a major in Enterprise Accounting in 1956, and is a senior accountant, judicial accounting appraiser (司法會計鑒定人), registered accountant of the PRC, part-time professor of accounting of Xi'an Petroleum University (西安石油大學), and deputy chairman of Shaanxi Financial Costs Research Society (陝西財務成本研究會). From 1956 to 1982, Mr. Wang worked in the area of accounting and finance at the Construction Bank of Xi'an City, Management Bureau of Sanmenku District of Shaanxi Province (陝西省三門庫區管理局), Water and Electricity Bureau of Weinan District (渭南地區水電局) and Finance Bureau of Shaanxi Province (陝西省財政廳). He served as deputy principal of Shaanxi Finance Vocational School (陝西財政專科學院) from April 1982 to October 1988, as head of the accounts department of Shaanxi Finance Bureau (陝西省財政廳會計處), head of Shaanxi Accountants Firm (陝西會計師事務所) and deputy principal of Shaanxi Province Zhonghua Accounting Distance Learning School (陝西省中華會計函授學校) from November 1988 to August 1996, and as chief secretary of Society of Registered Accountants of Shaanxi Province (陝西省註冊會計師協會) from September 1996 to August 2002. He has served as consultant of Renhongxin Accountants Firm (鴻信會計師事務所) and Shaanxi Zhengyi Judicial Appraisal Centre (陝西正義司法鑑定中心) since August 2002. Mr. Wang served as committee member of Society of Registered Accountants of the PRC (中國註冊會計師協會) for 14 years, vicechairman and chief secretary of Society of Accountancy of Shaanxi (陝西會計學會) for 8 years, vice-chairman of Society of Chief-accountants of Xi'an District (西安地區總會計師協會) for 6 years, deputy supervisor of middle level and committee member of high level accounting qualification examination committee of Shaanxi Province (陝西省會計職稱評審委員會). Mr. Wang has written a number of articles on accounting. His biographical details were published in Dictionary on Name of China Experts (中國專家名辭典)and Books on China Outstanding Persons of Leadership (中國優秀領導人才大典).

QUALIFIED ACCOUNTANTS AND COMPANY SECRETARY

Chung Chi Kong (鍾志鋼), aged 40, is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chung has over nine-year experience of being auditor for international accounting firms, and was a finance controller of a listed company on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited from September 2002 to June 2004.

SENIOR MANAGEMENT

Li Xiaohu (李小虎), aged 50, is the executive vice president of the Company in charge of legal, administration and human resources departments. Mr. Li graduated from Shaanxi Mechanical Institute (陝西機械學院) majoring in industrial and electrical automation in 1987. Before he joined the Company in March 2000, Mr. Li had worked in Xi' an Hydraulic Pressure Parts Factory (西安液壓件廠) as the director of the hydraulic pressure valve branch factory, the vice-division head of the production division, the chief coordinator, the assistant manager of the operation department and the factory office director from October 1981 to February 2000.

Zeng Yinglin (曾應林), aged 58, is the vice-president of the Company and the general manager of the Wei Nan Branch in charge of the business department. Mr. Zeng graduated from Northwest Textile Technical Institute (西安紡織工學院) majoring in textile studies in 1982. Before he joined the predecessor of the Company, Northwest Industry Corporation, in June 1994, Mr. Zeng had worked in Sanmenxia Huixing Textile Factory (三門峽會興棉紡織廠) as the factory office director and vice-factory director from July 1982 to October 1991 and Henang No. 2 Printing and Dyeing Factory (河南第二印染廠) as vice-factory director and factory director from October 1981 to June 1994.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Yang Xiaohuai (楊小懷), aged 47, is an executive Director and the financial controller of the Company. He is responsible for overseeing the operation of the accounting department and the financial matters of the Company. He graduated from Zhengzhou Aviation Industry Management Vocational School (鄭州航空工業管理專科學校) in 1984. Mr. Yang had served consecutively as the deputy head and head of the Division of Accounts, the Department of Finance, 173 Aviation Factory (航空工業173廠財務處). From May 1993 to May 2000, he served consecutively as the head of audit division, assistant to the head of the firm and deputy head of the firm of Shaanxi Yuehua Accountants Firm (陝西岳華會計師事務所). From May 2000 to September 2004, he served as deputy head of Shaanxi Kanghua Accountants Firm (陝西康華會計師事務所).

Gao Peng (高鵬), aged 37, is an executive Director of the Company and the secretary to the board of Directors and is responsible for the Company's overall corporate and company secretarial matters. Mr. Gao graduated with a Bachelor's degree in Economics and obtained qualifications of Accountant, Registered Accountant, Certified Accountant in Securities and Independent Director. From December 1996 to April 2000, he was the Audit Manager of 中信會計師事務所.From August 2000 to May 2003, he was the Audit Manager of Deloitte Touche Tohmatsu. Since 24 July 2004, he has been the secretary to the board of Directors. In August 2010, he resigned from the post of secretary to the board of Directors of the Company.

Wang Feng (王峰), aged 51, is an executive Director and the general manager of the sales center of the Company. Mr. Wang is the younger brother of the Company's chairman, Mr. Wang Cong. He is responsible for the overall operations of the marketing and sales of the Company's products. From August 1981 to December 1993, Mr. Wang was the deputy general manager of An kang District Department Store (安康地區百貨公司). Mr. Wang completed a Chinese language and literature course in Shaanxi Province Broadcasting Television University (陝西省廣播電視大學) in 1993. He joined the predecessor of the Company, Northwest Industry Corporation, in June 1994. In November 2010, he was appointed as the secretary to the board of Directors.

Yan Xi (嚴希), aged 43, is a chief engineer of the Company. He graduated from the Shanghai Fudan University with a bachelor's degree in applied chemistry. He worked for the Technology Department of Xian Paints Factory Sifen Factory (西安油漆總廠四分廠) from July 1990 to 1992. He served as an manager of Shenzhen Xiandaoxi Material Ltd Co.,(深圳市先導新材料有限公司) from 1992 to 1997 and was responsible for the development of electronic consumables materials and nanometer materials. He invented a super small BaTi03 soft materials successfully and the product was utilized by Fuji (富士公司) and TDK of Japan. From 1997 to 2000, he worked at Shenzhen Zhongzhen Industry Limited (深圳中圳實業有限公司) as a chief engineer responsible for the development and the management of production technology of rare-earth electromagnetic materials. From 2000 to June 2002, he worked at the Nantonghongding International Chemistry Company (南通虹鼎國際化工公司) as a chief engineer. He joined the Company in June 2002.

Zhou Ming (周明), aged 42, is a deputy chief manager of Weinan branch of the Company. Mr. Zhou served in Shaanxi Lishan Bed Sheet Dyeing and Bleaching Factory (陝西省驪山床單漂染車間) as a production lines technician from July 1991 to March 1994. He served as a production lines supervisor, deputy head and head of technical division, head of production division, head of laboratory and deputy head of factory office of the factory from March 1994 to October 2000. He joined the Company in February 2001.

Xing Dunping (邢敦平), aged 55, is the director of President Office of the Company. Mr. Xing worked in Xi'an Yanhe Chemical Factory (西安延河化工廠) as the head of the technology division, the head of the quality control division and the chairman of the labour union from January 1980 to December 1992 and Xi' an Futai Industry Company (西安市福泰實業總公司) responsible for technology management from January 1993 to December 1999. He joined the Company in August 2000.

Zheng Yuanyang (鄭遠洋), aged 71, is the deputy chief engineer of the Company and is in charge of the Company's technology center. Mr. Zheng graduated from the Science and Technology University of China (中國科學技術大學) majoring in high-molecular chemistry in 1964. From August 1964 to November 1999, he was a research associate or research fellow in Lanzhou Modern Chemistry Research Institute (蘭州近代化學研究所), Xi' an Modern Chemistry Research Institute (西安近代化學研究所) and three universities in the United States of America. Mr. Zheng joined the Company in December 1999.

Wang Min (王敏), aged 47, is the manager of the Company's legal department. Mr. Wang graduated from Northwest University of Political Science and Law (西北政法學院) in 1988 and is a qualified lawyer in the PRC. Before he joined the predecessor of the Company, Northwest Industry Corporation, in June 1998, Mr. Wangwas a lawyer in various law firms in the PRC.

Wu Chuandong (吳傳東), aged 47, is the manager of the Company's audit department. Mr. Wu graduated from Northwest University of the PRC (西北大學) majoring in accountancy in 1996. He is a qualified accountant and a registered tax agent of the PRC. From July 1987 to April 2001, Mr. Wu served consecutively as accountant or auditor in a factory and two accounting firms in the PRC. Before he joined the Company in November 2002, he was the manager of the finance department of Fengxing International Company Limited(蜂星國際有限公司) from May 2001 to October 2002.

Xie Chaohong (謝朝紅), aged 43, is the manager of the Company's project financing department. Ms.Xie graduated from Shaanxi International Business Training College (陝西對外商務培訓學院) majoring in international trade in 1995. From February 1987 to July 1993, she worked in Factory No. 2 of Xi' an Public Transportation Company (西安公交公司電車二廠). From August 1993 to July 1995, she studied at Shaanxi International Business Training College (陝西對外商務培訓學院). From August 1995 to December 1999, Ms. Xie was the manager of the personnel department of Shenzhen Henggang Songbai Enterprise (深圳橫崗松柏企業). She joined the Company in September 2000.

Feng Jun (馮君), aged 38, is the manager of the human resources department and administration department of the Company. Ms. Feng graduated from Shaanxi Commerce College (陝西商業專科學院) majoring in international tourism and business in July 1994. From July 1995 to October 1999, she served consecutively as the office secretary in Xi' an Jinguishou Pharmacy Group Company (西安市金龜壽藥業集團公司), the head of the dealing department of Shaanxi Hualong Futures Dealers Limited Liability Company (陝西華隆期貨經紀有限責任公司) and the manager of the dealing department of Weinan New Century Information Consultancy Limited Liability Company (渭南新世紀信息諮詢有限責任公司). She joined the Company in November 1999.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2010.

PRINCIPAL BUSINESS

The Company is principally engaged in the research and development, production and sales of innovative environmental protection energy materials and products, fuels of oil additives, chemical products and rare earth materials.

ARTICLES OF ASSOCIATION

Pursuant to a special resolution passed at an extraordinary general meeting held on 6 June 2003, the Company adopted the new Articles of Association.

RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 31 December 2010 are set out on page 27 of the annual report. The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2010.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company during the year are set out in the Note 13 to the financial statements.

TRADE RECEIVABLES

The total trade receivables net of impairment loss as at 31 December 2010 amounted to RMB31,209,000 (2009:RMB10,065,000).

SHARE CAPITAL

The details of the movements in the share capital of the Company during the year are set out in Note 23 to the financial statements.

DIRECTORS AND SUPERVISORS

The Directors and supervisors of the Company during the year and up to the date of this report are:

Executive Directors:

Wang Cong
Wang Feng
Gao Peng
Yang Xiaohuai

Non-executive Directors:

Mr. Guo Bin
Ms. Zheng Rongfang

Independent non-executive Directors:

Li Gangjian
Chen Tao
Wei Daizhi

Supervisors:

Yan Buqiang
Jiang Lifen
Zhang Xiaoping

Independent Supervisors:

Mr. Duan Lin
Mr. Wang Gongxun

Each of the Directors and Supervisors (including independent non-executive Directors and independent supervisors) has entered into a service agreement with the Company for three years commencing from the date of appointment. Each of the Directors and Supervisors was appointed as director and supervisor of the Company respectively, subject to termination in certain circumstances as stipulated in the relevant services contracts.

Pursuant to the provisions of the Articles of Association of the Company, the Directors and Supervisors are elected at the general meeting of the Company and appointed as directors and supervisors for a term of three years and may be re-elected and re-appointed for a second term. In view of actual status of the existing Directors and Supervisors of the Company, the board will propose changing some Directors and Supervisors in the coming annual general meeting. The list of Directors and Supervisors to be re-elected as well as new candidates will be announced separately.

DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS' INTERESTS

As at 31 December 2010, the interests or short positions of the Directors, the Supervisors ("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") (Chapter 571 of the Laws of Hong Kong) 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 total issued domestic shares	Approximate shareholding percentage in the entire issued share capital of the Company
Wang Cong *(Note)*	Interest of controlled corporation	600,950,000	89.63%	66.98%
Zheng Rongfang	Beneficial owner	2,000,000	0.29%	0.22%
Wang Feng	Beneficial owner	2,000,000	0.29%	0.22%
Zeng Yinglin	Beneficial owner	2,000,000	0.29%	0.22%
Yan Buqiang	Beneficial owner	2,000,000	0.29%	0.22%
Wang Zheng	Beneficial owner	2,000,000	0.29%	0.22%
Guo Quibao	Beneficial owner	2,000,000	0.29%	0.22%

Notes:

The 600,950,000 domestic shares were held by Xi'an Northwest Industry (Group) Company Limited ("Northwest Group"), which is beneficially owned as to 98% by Wang Cong. Wang Cong is deemed to be interested in these 600,950,000 domestic shares.

SUBSTANTIAL SHAREHOLDERS AND OTHER SHAREHOLDERS INTERESTS

As at 31 December 2010, the persons (other than a 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)

Name	Capacity	Number of domestic shares	Approximate shareholding percentage in the total 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 (陝西精典投資有限公司)	Beneficial owner	58,500,000	8.60%	6.43%
Ding Xianguang *(Note)*	Interest of controlled corporation	58,500,000	8.60%	6.43%
Zhang Jianming *(Note)*	Interest of controlled corporation	58,000,000	8.60%	6.43%

Note: Each of Ding Xianguang and Zhang Jianming was beneficially interested in 40% of the equity interest in Shaanxi Jing Dian Investment Company Limited (陝西精典投資有限公司), and is deemed to be interested in 58,500,000 domestic shares under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Interests in H shares of the Company (long positions)

Name	Capacity	Number of H shares	Approximate shareholding percentage in the total issued H shares	Approximate shareholding percentage in the entire issued share capital of the Company
Tang Weichao	Beneficial owner	12,960,000	5.63%	1.42%

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 31 December 2010, no share option has been granted under the share option scheme.

DIRECTORS AND SUPERVISORS INTERESTS IN MATERIAL CONTRACTS

During the year ended 31 December 2010, none of the Directors or Supervisors had a material interest directly or indirectly, on any other contract of significance to the business of the Company to which the Company was a party.

COMPETING INTERESTS

During the year ended 31 December 2010, none of the Directors and Supervisors and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Company.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the second largest suppliers of the Company accounted for approximately 19.42% of the Company's purchases. The largest supplier accounted for 57.13% of the purchase of the Company.

Aggregate sales attributable to the Company's five largest customers accounted for approximately 63.91% of the total turnover. The largest customer accounted for approximately 16.26% of the total turnover of the Company.

None of the Directors, the Supervisors, their associates or any shareholders which, to the knowledge of the Directors, own more than 5% of the Company' issued share capital had any interest in the five largest suppliers or customers during the year ended 31 December 2010.

ANALYSIS OF THE OPERATION OF THE COMPANY

The operation of the Company, analyzed by its products, are as follows:

FOR THE YEAR ENDED 31 DECEMBER 2010

	Ey-053 rare earth luminescent material	**Thiol products**	**FA-90**
	RMB'000	*RMB'000*	*RMB'000*
Turnover	5,641	10,386	37,042
Cost of sales	(4,383)	(8,683)	(30,097)
Gross profit	1,258	1,703	6,945

For the year ended 31 December 2009

	FA-90
	RMB'000
Turnover	32,983
Cost of sales	(26,698)
Gross profit	6,285

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company had not purchase, sell or redeem any of the Company's listed securities during the year ended 31 December 2010.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to establishing a corporate governance system in compliance with the Company Code and regard such effort as a safeguard for the healthy and sustainable development of the Company. The code of corporate governance established by the Company includes the procedures, duties and responsibilities and authorities for the entire operation of the Company, which serves as a guide for the Company's affairs at various levels. The code of corporate governance formulated by the Company has fully incorporated the principles, code provisions and recommended best practice in the Code on Corporate Governance as set out in Appendix 15 of the GEM Listing Rules effective 1 January 2005.

Throughout the year ended 31 December 2010, the Company has complied with board practices and procedures as set out in Rule 5.45 of the GEM Listing Rules.

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.

BOARD COMPOSITION

The Board comprises nine Directors, with four executive Directors, namely Mr. Wang Cong (Chairman), Mr. Gao Peng, Mr. Wang Feng and Mr. Yang Xiaohuai, three independent non-executive Directors, namely Mr. Li Gangjian, Mr. Chen Tao and Mr. Wei Dazhi, and two Non-executive Directors, namely Mr. Guo Bin and Ms. Zheng Rongfang, of which Mr. Guo Bin has professional qualification and legal expertise. Mr. Guo Bin resigned from the post of Director of the Company in February 2010.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Board considers each of the independent non-executive Directors to be independent.

The main responsibilities of the Board includes:

- to implement resolutions of the general meetings;
- to formulate the Company's business plans and investment plans;
- to formulate the Company's annual budgets and financial policies;
- to report its work in general meetings, to submit reports to regulatory authorities, and to disclose information in accordance with statutory requirements;
- the daily operation and management of the Company are performed by executive Directors and the senior management. The Board formulates the Company's overall policies and plans, and regularly monitors and supervises their implementation by executive Directors and the senior management;
- there are clearly defined authorities and duties for the management, including periodic report to the Board, and specified matters require prior approval by the Board before their implementation, including matters such as the establishment of internal management structure and the appointment and redesignation of senior managements, while the management is entrusted with appropriate delegation to ensure normal functioning of the Company; and
- to formulate the Company's internal control system and its effective implementation.

The Board shall convene meetings at least four times every year (basically once every quarter). Extraordinary Board meetings shall be convened under special circumstances or to decide on important issues. In case Directors are not able to attend a meeting to be held at the designated place, the meeting may be held by means of a telephone conference, and thereby facilitates and enhances the attendance of Directors at the Board meeting. If an independent non-executive Director is not able to attend a meeting for some reason, the Company will seek their opinion on the issues to be discussed in the meeting.

During the year ended 31 December 2010, the Board held five meetings. The attendance record of each Director is set out below:

Executive Directors:	
Mr. Wang Cong *(Chairman)*	5/5
Mr. Wang Feng	5/5
Mr. Gao Peng	5/5
Mr. Yang Xiaohuai	5/5
Non-executive Directors:	
Ms. Zheng Rongfang	3/5
Mr. Guo Bin	0/5
Independent non-executive Directors:	
Mr. Li Gangjian	5/5
Mr. Wei Dazhi	0/5
Mr. Chen Tao	3/5

The appointment of Directors is for a term of three years, and they are eligible for re-election. The appointments can be terminated prior to their expiry by Shareholders in general meetings (in accordance to the Articles of Association of the Company).

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 resignation from the post of chief executive and removal of directorship from the Company of Mr. Wang Zheng in June 2006, Mr. Wang Cong held the offices of Chairman and president of the Company since then. The Board has been in the process of identifying a suitable candidate to fill the role of president.

The Board is responsible for considering and recommending suitable nominees to act as Director, and proposal will be made to approve such nominees by ordinary resolutions of general meetings. When there is a need to change members of the Board or to increase or decrease the number of the Directors, the Chairman of the Board shall recommend nominees to the Board after taking into consideration of the requirements of corporate governance and human resources and seeking advice from relevant professionals and opinions of other Directors. The Board shall then propose such nominee for approval in general meeting.

AUDIT COMMITTEE

The Company established an audit committee on 6 July 2002 with written terms of reference pursuant to the requirement of Rule 5.28 to 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 audit committee received and commented on the financial statements, interim report and quarterly report of the Company for the year ended 31 December 2010. During the year ended 31 December 2010, four audit committee meetings were held. The attendance records of the members were as follows:

Members	Attendance (times)
Li Gangjian	4/4
Wei Dazhi	0/4
Zheng Rongfang	4/4

REMUNERATION COMMITTEE

The remuneration committee of the Company was established in June 2006. It is comprised of Mr. Li Gangjian (chairman), Ms. Zheng Rongfang and Mr. Chen Tao. The remuneration committee performs its responsibilities in accordance with the requirements set out in the GEM Code. Its principal responsibilities are to assist the Board of Directors to manage the remuneration system of the Company, so as to ensure the implementation of effective policies and management upon the rewards for the Directors and senior executives.

During 2010, the remuneration committee held two meetings. Such meetings firstly confirmed the responsibilities of the remuneration committee, further reviewed the performance appraisal system of the Company, and considered all matters in respect of the remuneration of the Directors and senior executives. Such meetings also enhanced the remuneration policies of the Directors and senior executives, the incentive mechanism and the overall remuneration system of the Company, and gave management advices to the Board. In the meantime, the service contracts of the Directors and the terms of appointment for independent non-executive directors were examined and reviewed. The attendance records of the members of the remuneration committee were as follows:

Members	Attendance (times)
Li Gangjian	2/2
Zheng Rongfang	2/2
Chen Tao	2/2

NOMINATION COMMITTEE

The nomination committee of the Company was established in June 2006. It is comprised of Mr. Gao Peng (chairman), Mr. Chen Tao and Mr. Li Gangjian. The nomination committee performs its responsibilities in accordance with the requirements set out in the GEM Code. Its principal responsibilities are to regularly review the structure, headcount and composition of the Board, including aspects such as skill, knowledge and experience, and advise the Board on any proposed changes. Advices for qualification of candidates for directors will be given to the Board. The committee also advises the Board on the appointment or reappointment of Directors and all matters relating to the proposed appointment of Directors.

During 2010, the nomination committee held one meeting. The meeting confirmed the responsibilities of the nomination committee, examined the composition of the Board and the qualifications of each Director, reviewed the independence of the Independent Non-executive Directors and qualifications of the Non executive Directors. It also gave reasonable advise on matters regarding the appointment of Directors to the Board. The attendance records of the members of the nomination committee were as follows:

Members	Attendance (times)
Gao Peng	1/1
Chen Tao	1/1
Li Gangjian	1/1

AUDITOR

For the year ended 31 December 2003, the auditor of the Company was Deloitte Touche Tohmatsu, who resigned from the office of auditor of the Company on 26 July 2005. CCIF CPA Limited was appointed to fill the casual vacancy on 12 August 2005. CCIF CPA Limited continued to be the auditor of the Company by the approval of the general meeting of the Company held on 30 December 2010. During 2010, the fees paid to CCIF CPA Limited for its audit services for the Company amounted to approximately HK$600,000.

RESPONSIBILITIES OF DIRECTORS AND AUDITOR FOR THE ACCOUNTS

A statement of directors' responsibilities for preparing the financial statements and the reporting responsibilities of the auditor engaged are set out in the Independent Auditor's Report of this Annual Report.

INTERNAL CONTROL

The Directors have regularly reviewed and satisfied with the effectiveness of the Company's internal control procedures and system, including functions such as financial and operational control.

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

Xi'an, the PRC
30 March 2011.

To the Shareholders:

In 2010, the Supervisory Committee of the Company (the "Supervisory Committee") duly performed its duties conferred by relevant laws and regulations and actively engaged in activities that were in line with their considerable accountability to all shareholders in accordance with the Company Law, Articles of Association and the Working Plan of the Supervisory Committee 2010. It monitored effectively the financial position as well as the performance of the Board of Directors (the "Board"), the member of the Board and other senior management staffs of the Company. During the reporting period, the Supervisory Committee held four meetings, and the members of the Supervisory Committee attended every board meeting and general meeting.

1. THE MEETINGS HELD BY THE SUPERVISORY COMMITTEE OF THE COMPANY

1. The twenty-first meeting of the second Supervisory Committee was held on 29 March 2010, which considered and approved the audited annual results report of the Company for the year ended 31 December 2009 and audited the 2008 annual report.

2. The twenty-second meeting of the second Supervisory Committee was held on 14 May 2010, which considered and approved the unaudited first quarterly results report of the Company for the three months ended 31 March 2010.

3. The twenty-third meeting of the second Supervisory Committee was held on 16 August 2010, which considered and approved the unaudited interim results report of the Company for the six months ended 30 June 2010.

4. The twenty-fourth meeting of the second Supervisory Committee was held on 12 November 2010, which considered and approved the unaudited third quarterly results report of the Company for the nine months ended 30 September 2010.

2. EXAMINATION OF THE COMPLIANCE OF THE COMPANY'S OPERATIONS WITH LEGAL REQUIREMENTS

In 2010, the Supervisory Committee devoted more efforts to supervise the management. The Supervisory Committee considered:

1. In 2010, the Board of the Company practically executed the resolutions entirely in compliance with the requirements resolved in the general meetings. Every decision-making procedure was carried out entirely in compliance with the Company Law, Securities Law, Articles of Association, relevant laws and regulations of Hong Kong and other relevant requirements of the PRC.

2. During the reporting period, neither the Directors nor the chairman nor other senior executives were found in breach of the PRC laws regulations, articles of association and acting detrimental to the interests of the Company in their course of performing the duties of the Company.

3. The financial position of the Company in 2010 was basically normal. There was no breach of financial requirements found. The financial account was clear, the accounting file was complete, and the financial administration had complied with the requirements of financial system.

For and on behalf of the Supervisory Committee
Yan Buqiang
Chairman of the Supervisory Committee

Xi'an, the PRC
30 March 2011

CCIF

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
SHAANXI NORTHWEST NEW TECHNOLOGY INDUSTRY COMPANY LIMITED
(Incorporated in the People's Republic of China with limited liability)

We have audited the financial statements of Shaanxi Northwest New Technology Industry Company Limited ("the Company") set out on pages 27 to 73, which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 statements.

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2010, and of the Company's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2011

Ho Chun Shing
Practising Certificate Number P04396

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Turnover	5	**53,069**	32,983
Cost of sales		**(43,163)**	(26,698)
Gross profit		**9,906**	6,285
Other revenue and other net income and expense	6	**7,119**	(1,304)
Distribution and selling expenses		**(1,606)**	(1,345)
Administrative expenses		**(4,562)**	(9,566)
Finance costs	7a	**–**	(1,294)
Impairment loss on property, plant and equipment	13	**–**	(13,154)
Other operating expenses		**(664)**	(2,355)
Profit/(loss) before taxation	7	**10,193**	(22,733)
Income tax expense	10	**(409)**	(250)
Profit/(loss) for the year		**9,784**	(22,983)
Other comprehensive income		**–**	–
Total comprehensive income for the year		**9,784**	(22,983)
Profit/(loss) for the year			
– attributable to owners for the Company		**9,784**	(22,983)
Total comprehensive income for the year			
– attributable to owners of the Company		**9,784**	(22,983)
Earnings/(loss) per share	12		
– Basic and diluted		**RMB0.011**	RMB(0.025)

The notes on pages 31 to 73 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	13	**24,292**	29,194
Intangible assets	14	**–**	–
Land lease premium	15	**7,668**	7,878
		31,960	37,072
Current assets			
Land lease premium	15	**210**	210
Inventories	16	**3,884**	6,209
Trade receivables	17	**31,209**	10,065
Prepayments, deposits and other receivables	17	**22,355**	25,832
Cash and bank balances		**49,396**	978
		107,054	43,294
Assets classified as held for sale	18	**–**	50,000
		107,054	93,294
Current liabilities			
Trade payables	19	**508**	508
Accruals and other payables	20	**7,148**	11,246
Current tax liabilities	21	**4,748**	5,568
Due to ultimate holding company	22	**4,034**	252
		16,438	17,574
Net current assets		**90,616**	75,720
NET ASSETS		**122,576**	112,792
CAPITAL AND RESERVE			
Equity attributable to owners of the Company			
Share capital	23	**91,000**	91,000
Reserves		**31,576**	21,792
TOTAL EQUITY		**122,576**	112,792

Approved and authorised for issue by the board of directors on 30 March 2011

Wang Cong
Director

Wang Feng
Director

The notes on pages 31 to 73 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital RMB'000	Share premium RMB'000 (Note a)	Statutory surplus reserve RMB'000 (Note b)	Statutory welfare fund RMB'000 (Note c)	Retained profits/ (accumulated loss) RMB'000 (Note d)	Total equity RMB'000
At 1 January 2009	91,000	25,880	10,987	5,493	2,415	135,775
Profit for the year and total comprehensive income for the year	–	–	–	–	(22,983)	(22,983)
At 31 December 2009 and 1 January 2010	91,000	25,880	10,987	5,493	(20,568)	112,792
Profit for the year and total comprehensive income for the year	–	–	–	–	9,784	9,784
Transfer	–	–	233	–	(233)	–
At 31 December 2010	91,000	25,880	11,220	5,493	(11,017)	122,576

Notes:

a) Share premium

The share premium represents the difference between the nominal amount of share capital and amounts received on issue of shares. The application of the share premium account of the Company is governed by the PRC Company Law.

b) Statutory surplus reserve

As stipulated by the relevant laws and regulations in the People's Republic of China ("PRC"), the Company is required to set aside 10% of its profit after taxation of its statutory financial statements for the statutory surplus reserve (except where the reserve has reached 50% of the Company's registered capital). As a joint stock limited company, statutory surplus reserve can be used to (i) make up prior year losses; (ii) convert into capital, provided such conversion is approved by a resolution at a shareholders' meeting and the balance of the statutory surplus reserve does not fall below 25% of the Company's registered capital.

c) Statutory welfare fund

According to the relevant PRC laws and regulations, the Company is required to set aside 5% to 10% of its profit after taxation of its statutory financial statements for the statutory welfare fund. Such fund can be used for enterprise development and the staff welfare only and are not available for profit distribution. With effective from 1 January 2006, the Company is not required to provide statutory welfare fund for profit distribution.

d) Retained profits/(accumulated losses)

Profit distribution is subject to the approval of the board of directors. In accordance with the Articles of Association of the Company, the reserve available for distribution is the lower of the amount determined under the accounting principles generally accepted in the PRC and the amount determined under accounting principles generally accepted in Hong Kong. In the opinion of the directors, no reserve is available for distribution at 31 December 2009 and 2010.

The notes on pages 31 to 73 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010	2009
	RMB'000	*RMB'000*
Operating activities		
Profit/(loss) before taxation	**10,193**	(22,733)
Adjustments for:		
Reversal of impairment loss on trade and other receivables, prepayments and deposits	**(7,347)**	(4,957)
Impairment loss on trade and other receivables, prepayments and deposits	**308**	6,319
Amortisation of land lease premium	**210**	210
Depreciation of property, plant and equipment	**4,778**	4,340
Interest expenses	**–**	1,294
Interest income	**(80)**	(58)
Loss on disposal of property, plant and equipment	**124**	82
Impairment loss on property, plant and equipment	**–**	13,154
Write down of inventory	**125**	–
	8,311	(2,349)
Changes in working capital		
Decrease/(increase) in inventories	**2,200**	(3,501)
(Increase)/decrease in trade receivables	**(19,085)**	2,989
Decrease in prepayments, deposits and other receivables	**8,457**	12,407
(Decrease)/increase in accruals and other payables	**(4,098)**	1,444
Cash (used in)/generated from operations	**(4,215)**	10,990
PRC enterprise income tax paid	**(1,229)**	–
Net cash (used in)/generated from operating activities	**(5,444)**	10,990
Investing activities		
Payment for the purchase of property, plant and equipment	**–**	(2,000)
Interest received	**80**	58
Refund from contractor	**–**	2,000
Proceeds from disposal of assets classified as held for sale	**50,000**	–
Proceeds from disposal of property, plant and equipment	**–**	120
Advance to fellow subsidiaries	**–**	11,478
Advance from ultimate holding company	**3,782**	102
Net cash generated from investing activities	**53,862**	11,758
Financing activities		
Repayment of bank loans	**–**	(30,000)
Interest paid	**–**	(1,294)
Net cash used in financing activities	**–**	(31,294)
Net increase/(decrease) in cash and cash equivalents	**48,418**	(8,546)
Cash and cash equivalents at 1 January	**978**	9,524
Cash and cash equivalents at 31 December		
Cash and bank balances	**49,396**	978

The notes on pages 31 to 73 form part of these financial statements.

1. GENERAL

The Company was incorporated in the People's Republic of China (the "PRC") on 9 April 1999 as a limited liability company. On 18 January 2000, pursuant to the approval from the relevant PRC authorities, the Company was converted into a joint stock limited company and renamed as 陝西西北新技術實業股份有限公司 Shaanxi Northwest New Technology Industry Company Limited in preparing for the listing of the Company's H Shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The H shares of the Company were listed on the GEM on 3 July 2003.

The Company is principally engaged in the research and development, production and sale of innovative environmental protection energy material and products, fuel oil additives, chemical products and rare earth materials.

The financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of Hong Kong Accounting Standards ("HKASs"), Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and interpretations ("HK(IFRIC) – Int") (hereinafter collectively referred to as the "New HKFRSs") which are effective for the financial year beginning on 1 January 2010. For the purposes of preparing and presenting these financial statements for the year ended 31 December 2010, the Company has adopted the following New HKFRSs that are mandatory for the first time for the financial period beginning on 1 January 2010:

HKAS 27 (Revised 2008)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Financial instruments: Recognition and measurement – Eligible hedged items
HKFRS 2 (Amendments)	Company cash-settled share-based payment transactions
HKFRS 3 (Revised 2008)	Business combinations
HK(IFRIC) Int 17	Distributions of non-cash assets to owners
HK(Int) 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of improvements to HKFRSs issued in 2008

The application of these new and revised Standards and Interpretations has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

The Company has not early applied any of the following new and revised standards, amendments or interpretations which have been issued but are not yet effective for the current accounting period:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKAS 12 (Amendments)	Deferred tax, Recovery of Underlying Assets[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 32 (Amendments)	Classification of Rights Issues[4]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[7]
HKFRS 9	Financial Instruments[6]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 July 2010
6 Effective for annual periods beginning on or after 1 January 2013
7 Effective for annual periods beginning on or after 1 July 2011

While the adoption of those changes will result in changes in the accounting policy, the changes are unlikely to have any significant impact on the Company. Further information about those changes that are expected to have a significant impact on the Company's policies is as follows:

HKFRS 9 Financial instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

– HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial instruments: Recognition and measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Company's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Company expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, which collective terms include all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirement of the Hong Kong Companies Ordinance. These financial statements also include applicable disclosure provisions of the Rules Governing the Listing of Security on the GEM of the Stock Exchange. A summary of the significant accounting policies adopted by the Company is set out below.

b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain financial instruments which are measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 28.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services or for administrative purpose, other than construction in progress, are stated in the statement of financial position at cost less accumulated depreciation and accumulated impairment losses (see note 3(f)).

When a lease includes both land and building elements, the Company assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Company.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “land lease premium” in the statement of financial position and is amortised over the lease term on a straight-line basis.

Buildings are depreciated over the shorter of the term of the lease of land on which the buildings are erected, or 50 years.

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds on disposal and the carrying amount of the item and are recognised in profit or loss in the period on the date of retirement or disposal.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Property, plant and equipment (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount of the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation is calculated to write off the cost or valuation of property, plant and equipment less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Leasehold improvements	8 years
Plant and machinery	7 years
Motor vehicles	7 years
Furniture and office equipment	5 years

d) Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Intangible assets (Continued)

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 3(q)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 3(f)). Other development expenditure is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;
– the intention to complete the intangible asset and use or sell it;
– the ability to use or sell the intangible asset;
– how the intangible asset will generate probable future economic benefits;
– the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
– the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

e) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Company determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Leased assets (Continued)

Payments for obtaining rights for using land use rights are accounted as land lease premium and charge to profit or loss on a straight-line basis over the lease terms. Rights for using land use rights which are to be charged to profit or loss in the next twelve months or less are classified as current assets.

i) Classification of assets leased to the Company

Assets held by Company under leases which transfer to the Company substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Company are classified as operating leases, except for the land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Company, or taken over from the previous leassee.

ii) Operating lease charges

Where the Company has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Impairment of assets

i) Impairment of receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other current receivables and other financial assets carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment; and

– land lease premium classified as being held under an operating lease.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Impairment of assets (Continued)

ii) Impairment of other assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

g) Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 3(f)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

i) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

j) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

l) Employee Benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans arising from the PRC municipal government retirement scheme and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values and charged as an expense as they fall due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Employee Benefits (Continued)

Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve with equity. The fair value is measured at a grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

m) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in statement of comprehensive income except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary difference, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not a part of business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Company controls the timing of the reversal and it is probable that the differences reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against tax liabilities, if the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Income tax (Continued)

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

n) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

o) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

i) Revenue from sales of goods is recognised when the goods are delivered and title has passed.

ii) Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the functional currency of the Company (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the Company operates) at the exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss for the period, except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in profit or loss, in which cases, the exchange differences are recognised directly in profit or loss.

q) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in profit or loss in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

r) Related parties

For the purposes of these financial statements, a party is considered to be related to the Company if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Company or exercise significant influence over the Company in making financial and operating policy decisions, or has joint control over the Company;

ii) the Company and the party are subject to common control;

iii) the party is an associate of the Company or a joint venture in which the Company is a venturer;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Related parties (Continued)

iv) the party is a member of key management personnel of the Company or the Company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

vi) the party is a post-employment benefit plan which is for the benefit of employees of the Company or of any entity that is a related party of the Company.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

s) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Company's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Company's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. SEGMENT INFORMATION

Information reported to the Chairman of the Company, being the chief operating decision marker, for the progress of resource allocation and assessment of segment performance focuses on types of goods delivered. Specifically, the Company's reportable segments under HKFRS 8 are as follows:

Sales of unleaded gasoline additives: this segment produces and sells innovation environmental protection energy material and products and fuel oil additives.

Sales of mercaptoacetic acid isooctyl: this segment produces and sells thiol products.

Sale of rare earth luminescent materials: this segment produces and sells high technology materials.

4. SEGMENT INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Company's revenue and results by reportable segment.

	Reportable segment revenue		Reportable segment profit/(loss)	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unleaded gasoline additives	**37,042**	32,983	**7,424**	8,564
Mercaptoacetic acid isooctyl	**10,386**	–	**1,261**	–
Rare earth luminescent materials	**5,641**	–	**5,997**	(9,966)
	53,069	32,983	**14,682**	(1,402)
Other revenue			**80**	58
Depreciation and amortisation			**(148)**	(186)
Finance costs			**–**	(1,294)
Loss on disposal of property, plant and equipment			**(124)**	(82)
Impairment loss on property, plant and equipment			**–**	(13,154)
Other corporate expenses			**(4,297)**	(6,673)
Profit/(loss) before taxation			**10,193**	(22,733)

Segment revenue reported above represents revenue generated from external customers and no inter-segment transaction in the year 2009 and 2010.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of administrative expenses including directors' remuneration, other revenue, finance costs, loss on disposal of and impairment loss on property, plant and equipment, other corporate expenses and income tax expense. This is the measure reported to the Chairman for the purposes of resource allocation and assessment of segment performance.

4. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

	2010 *RMB'000*	2009 *RMB'000*
Segment assets		
Unleaded gasoline additives	**57,562**	66,209
Mercaptoacetic acid isooctyl	**8,758**	–
Rare earth luminescent materials	**10,099**	–
Total segment assets	**76,419**	66,209
Unallocated	**62,595**	64,157
Total assets	**139,014**	130,366
Segment liabilities		
Unleaded gasoline additives	**5,344**	11,754
Mercaptoacetic acid isooctyl	**1,498**	–
Rare earth luminescent materials	**814**	–
Total segment liabilities	**7,656**	11,754
Unallocated	**8,782**	5,820
Total liabilities	**16,438**	17,574

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than assets classified as held for sale refundable deposit, other receivables and cash and bank balance. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and

- all liabilities are allocated to reportable segments other than current tax liabilities and due to ultimate holding company. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

4. SEGMENT INFORMATION (Continued)

Other segment information

	Depreciation and amortisation		**Addition to non-current assets**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unleaded gasoline additives	**2,503**	4,364	**–**	2,000
Mercaptoacetic acid isooctyl	**2,093**	–	**–**	–
Rare earth luminescent materials	**244**	–	**–**	–
	4,840	4,364	**–**	2,000
Unallocated	**148**	186	**–**	–
	4,988	4,550	**–**	2,000

In addition to the depreciation and amortisation reported above, no impairment losses (2009: RMB13,154,000) was recognised in respect of property, plant and equipment respectively.

Revenue from major products and services

The company's revenue from operation from its major products and services were as follows:

	2010	2009
	RMB'000	*RMB'000*
FA-90	**37,042**	32,983
2-Ethylhexyl Thioglycolate	**10,386**	–
Ey-053 rare earth luminescent material	**5,641**	–
	53,069	32,983

Geographical information

All the Company's interest income and profit are derived from operation carried in the PRC. In addition, all the Company's non-current assets are located in the PRC. Accordingly, no analysis of the Company's segmental information by geographical segments is presented.

Information about major customers

Included in revenues arising from sales of unleaded gasoline additives of RMB37,042,000 (2009: RMB32,983,000) are revenues of approximately RMB8,629,000 (2009: RMB7,302,000) which arose from sales to the Company's largest customer. Revenue from this largest customer of the Company contributed over 10% of the Company's revenue for 2010.

5. TURNOVER

The principal activities of the Company are research and development, production and sale of innovative environmental protection energy material and products, full oil additives, chemical products and rare earth materials.

Turnover represents the amounts received and receivable for goods sold to customers, which is net of value added tax and less returns.

6. OTHER REVENUE AND OTHER NET INCOME AND EXPENSE

	2010	2009
	RMB'000	*RMB'000*
Other revenue		
Interest income on financial assets not at fair value through profit or loss	**80**	58
Other net income and expense		
Impairment loss on trade and other receivables, prepayments and deposits	**(308)**	(6,319)
Reversal of impairment loss on trade and other receivables, prepayments and deposits	**7,347**	4,957
	7,039	(1,362)
	7,119	(1,304)

7. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been arrived at after charging:

	2010	2009
	RMB'000	*RMB'000*
a) Finance costs		
Interest on bank loans wholly repayable within five years	**–**	1,294
Interest expense on financial liabilities not at fair value through profit or loss	**–**	1,294

There is no interest on bank borrowing which contain a repayment on demand clause for the year (2009: RMB1,294,000).

7. PROFIT/(LOSS) BEFORE TAXATION (Continued)

	2010	2009
	RMB'000	*RMB'000*
b) Staff costs		
Staff costs (including directors' and supervisors' remuneration) *(note)*		
– Salaries, wages and other benefits	**1,846**	1,758
– Contributions to defined contribution retirement plan	**90**	182
	1,936	1,940
c) Other items:		
Amortisation of land lease premium	**210**	210
Auditor's remuneration		
– audit services	**513**	530
– other services	**201**	44
Cost of inventories *(note)*	**43,163**	26,698
Depreciation of property, plant and equipment *(note)*	**4,778**	4,340
Loss on disposal of property, plant and equipment	**124**	82
Research and development costs	**–**	4,986
Write down of inventory	**125**	–

Note: Cost of inventories includes approximately RMB4,700,000 (2009: approximately RMB4,075,000) relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above for each of these type expenses.

8. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

	Year ended 31 December 2010			
	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of director				
Executive directors				
Wang Cong	–	120	8	128
Gao Peng	–	180	–	180
Yang Xiao Huai	–	60	8	68
Wang Feng	–	60	8	68
Non-executive directors				
Guo Bin *(Note a)*	30	–	–	30
Zheng Rong Fang	30	–	–	30
Independent non-executive directors				
Li Gang Jian	30	–	–	30
Chen Tao	30	–	–	30
Wei Da Zhi	30	–	–	30
Total director's emoluments for 2010	150	420	24	594
Name of supervisor				
Yan Bu Qiang	–	60	8	68
Jiang Li Fen	–	18	5	23
Zhang Xiao Ping	–	14	5	19
Duan Lin	–	20	–	20
Wang Gong Xun	–	20	–	20
Total supervisors' emoluments for 2010	–	132	18	150
Total	150	552	42	744

8. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

	Year ended 31 December 2009			
	Fees *RMB'000*	Salaries and other benefits *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *RMB'000*
Name of director				
Executive directors				
Wang Cong	–	120	8	128
Gao Peng	–	180	–	180
Yang Xiao Huai	–	60	8	68
Wang Feng	–	60	8	68
Non-executive directors				
Guo Bin	30	–	–	30
Zheng Rong Fang	30	–	–	30
Independent non-executive directors				
Li Gang Jian	30	–	–	30
Chen Tao	30	–	–	30
Wei Da Zhi	30	–	–	30
Total director's emoluments for 2009	150	420	24	594
Name of supervisor				
Yan Bu Qiang	–	60	8	68
Jiang Li Fen	–	18	5	23
Zhang Xiao Ping	–	14	5	19
Duan Lin	–	20	–	20
Wang Gong Xun	–	20	–	20
Total supervisors' emoluments for 2009	–	132	18	150
Total	150	552	42	744

8. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

Notes:

a) Mr. Guo Bin resigned on 28 February 2011.

b) During the years ended 31 December 2009 and 2010, no emoluments were paid by the Company to any directors and supervisors as an inducement to join or upon joining the Company or as compensation for loss of office. None of the director and supervisor has waived any emoluments during the years ended 31 December 2009 and 2010.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals are all directors and supervisors, details of whose emoluments are included in note 8 to the financial statements.

10. INCOME TAX EXPENSE

Taxation in the statement of comprehensive income represents:

	2010 ***RMB'000***	2009 *RMB'000*
PRC enterprise income tax:		
– provision for the years	**644**	250
– over provision in prior years	**(250)**	–
	394	250
Hong Kong Profits Tax		
– under provision in prior years	**15**	–
	409	250

(a) An uniform enterprise income tax of 25% became generally applicable to all domestic and foreign investment enterprises established in the PRC, subject to certain exceptions or exemptions with effect from 1 January 2008.

According to the relevant laws and regulations in the PRC, the Company and its branch are entitled to the following tax incentives:

i) The Company, other than its branch – referred to as the "Head Office"

The Head Office is recognised as a high technology enterprise and is subject to the PRC enterprise income tax at a reduced rate of 15%.

10. INCOME TAX EXPENSE (Continued)

ii) The Company's branch in Wei Nan City, Shaanxi Province

The Wei Nan Branch is subject to the PRC enterprise income tax at a reduced rate of 15% for the period up to and including the year 2010. The entitlement of such preferential tax policy is subject to annual verification by the relevant tax authority.

(b) During the year, the Hong Kong Inland Revenue Department ("IRD") issued a claim of approximately HK$18,000 (equivalent to approximately RMB15,000) to the Company. Such claim was an estimated tax charges due to the Company failed to submit the Hong Kong Profits Tax Return for the year of assessment 2006/07 to the IRD within the time limit.

The charge for the PRC enterprise income tax has been provided for after taking the above tax incentives into account.

Taxation charge for the year can be reconciled to the profit/(loss) for the year per the statement of comprehensive income as follows:

	2010	2009
	RMB'000	*RMB'000*
Profit/(loss) before taxation	**10,193**	(22,733)
Tax at domestic income tax rate of 15% (2009:15%)	**1,529**	(3,410)
Tax effect of expenses not deductible	**241**	5,700
Tax effect of income not taxable	**(1,324)**	(2,479)
Tax effect of tax losses not recognised	**198**	439
(Over)/under provision in prior year		
– PRC enterprise income tax	**(250)**	–
– Hong Kong profits tax	**15**	–
Income tax expense	**409**	250

11. DIVIDEND

No final dividend for the year ended 31 December 2010 has been proposed by the directors (2009: Nil).

12. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the profit/(loss) for the year of approximately RMB9,784,000 (2009: loss of approximately RMB22,983,000) and the weighted average number of 910,000,000 (2009: 910,000,000) shares in issue during the year.

Diluted earnings/(loss) per share is equal to basic earnings/(loss) per share as there were no dilutive potential ordinary shares outstanding during the year.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Furniture, and office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
At 1 January 2009	19,376	3,883	29,815	760	2,277	52,508	108,619
Additions	–	–	2,000	–	–	–	2,000
Disposal	–	–	(813)	–	–	–	(813)
Reclassified as held for sale	–	–	–	–	–	(49,184)	(49,184)
Cost variation	–	–	–	–	–	(2,000)	(2,000)
At 31 December 2009 and at 1 January 2010	19,376	3,883	31,002	760	2,277	1,324	58,622
Disposal	–	–	–	–	–	(1,324)	(1,324)
At 31 December 2010	19,376	3,883	31,002	760	2,277	–	57,298
Accumulated depreciation and impairment losses							
At 1 January 2009	3,660	3,883	14,155	721	2,080	–	24,499
Charge for the year	588	–	3,744	7	1	–	4,340
Impairment loss	–	–	–	–	–	13,154	13,154
Reclassified as held for sale	–	–	–	–	–	(11,954)	(11,954)
Written back on disposal	–	–	(611)	–	–	–	(611)
At 31 December 2009 and at 1 January 2010	4,248	3,883	17,288	728	2,081	1,200	29,428
Charge for the year	588	–	4,182	7	1	–	4,778
Written back on disposal	–	–	–	–	–	(1,200)	(1,200)
At 31 December 2010	4,836	3,883	21,470	735	2,082	–	33,006
Carrying amounts							
At 31 December 2010	14,540	–	9,532	25	195	–	24,292
At 31 December 2009	15,128	–	13,714	32	196	124	29,194

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

On 28 December 2009, a sales and purchase agreement was signed between the Company and an independent third party in relation to disposal of a parcel of land and construction in progress with the book value of approximately RMB15,203,000 and RMB46,751,000 respectively in return of consideration of RMB50,000,000 in cash. The Company assessed the recoverable amounts of the land and construction in progress and as a result an impairment approximately RMB11,954,000 was recognised in respect of the construction in progress. The estimates of recoverable amounts were based on the fair values of land and construction in progress less costs to sell, determined by reference to the recent observable market prices for similar assets within the same location. The above transaction was completed during the year 2010.

In 2009, the management considered that a construction in progress with the book value of approximately RMB3,200,000 was suspended. After negotiated with the contractors, an amount of RMB2,000,000 was refunded from the contractors and the remaining balance of RMB1,200,000 was impaired as the management considered such contribution in progress has no further value in use. All the suspended properties were disposed during the year 2010.

Amount of buildings and construction in progress included the land elements which are now disclosed as land lease premium in note 15 to the financial statements.

14. INTANGIBLE ASSETS

	Technical know how *RMB'000*
Cost	
At 1 January 2009, 1 January 2010 and 31 December 2010	20,000
Accumulated amortisation	
At 1 January 2009, 1 January 2010 and 31 December 2010	20,000
Carrying amount at 31 December 2009 and 2010	–

Note:

Technical know-how is amortised over a period of six years.

15. LAND LEASE PREMIUM

	2010	2009
	RMB'000	*RMB'000*
Carrying amount at 1 January	**8,088**	21,068
Amortised during the year	**(210)**	(210)
Reclassified as held for sales	**–**	(12,770)
Carrying amount at 31 December	**7,878**	8,088
Non-current portion	**(7,668)**	(7,878)
Current portion classified as current assets	**210**	210

The land lease premium is for land situated in the PRC under medium term. The cost of the leasehold interest in land held for own use was approximately of RMB10,240,000 (2009: approximately of RMB10,240,000).

The amortisation charge for the year is included in "administrative expenses" in the statement of comprehensive income.

16. INVENTORIES

	2010	2009
	RMB'000	*RMB'000*
Raw materials	**2,351**	3,185
Finished goods	**1,533**	3,024
	3,884	6,209

The analysis of the amount of inventories recognised as an expense is as follows:

	2010	2009
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**43,163**	26,698
Write-down of inventories	**125**	–
	43,288	26,698

17. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2010	2009
	RMB'000	*RMB'000*
Trade receivables (note (b))	**31,209**	10,065
Other receivables	**85**	85
Loans and receivables	**31,294**	10,150
Prepayments and deposits (notes (e) and (f))	**22,270**	25,747
	53,564	35,897

Note:

a) All of the trade and other receivables, apart from prepayments and deposits, are expected to be recovered within one year.

b) The ageing analysis of the trade receivables is as follows:

	2010	2009
	RMB'000	*RMB'000*
Current to less than 90 days	**11,388**	15,000
91 days to 180 days	**16,110**	9,447
181 days to 365 days	**22,230**	11,560
Over 365 days	**21,571**	16,207
	71,299	52,214
Less: Impairment loss on trade receivables	**(40,090)**	(42,149)
	31,209	10,065

The Company allows an average credit period of 90 days to its trade customers. Longer credit period will also be granted to exceptional customer.

Credit is offered to customers following an assessment of their financial abilities and payment track record. Credit limits are set out for all customers and these can be exceeded only with the approval of senior officers of the Company. Business with customers considered to have a credit risk is conducted on a cash basis. Management monitors overdue trade receivables and follows up collections.

17. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

Note: (Continued)

c) Impairment of trade and other receivables, prepayments and deposits

The movement of impairment loss on trade and other receivables, prepayments and deposits are as follows:

	2010	2009
	RMB'000	*RMB'000*
At 1 January	**48,355**	46,993
Impairment loss on trade and other receivables, prepayments and deposits recognised during the year	**308**	6,319
Reversal impairment loss on trade and other receivables, prepayments and deposits during the year	**(7,347)**	(4,957)
At 31 December	**41,316**	48,355

Impairment losses in respect of trade and other receivables, prepayments and deposits are recorded using an allowance account unless the Company is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see note 3(f)).

Write back of impairment loss on trade and other receivables, prepayments and deposits represents the recovery of debts due from these trade and other receivables, prepayments and deposits previously considered to be impaired. An allowance for the non-recoverable amounts that had been made in previous years was written back accordingly.

As at 31 December 2010, trade and other receivables, prepayments and deposits of the Company amounting to approximately RMB41,316,000 (2009: RMB48,355,000) were individually determined to be impaired and full provision had been made. These individually impaired receivables had been outstanding for over 1 year as at the end of the reporting period or were due from companies with financial difficulties. Accordingly, specific allowances for doubtful debts of approximately RMB308,000 (2009: RMB6,319,000) were recognised during the year. The Company does not hold any collateral over these balances.

The factors which the Company considered in determining whether these trade and other receivables, prepayments and deposits were individually impaired include the following:

- significant financial difficulty of the debtor;

- receivables that have been outstanding for a certain period;

- the Company granting to the debtor, for economic or legal reasons relating to the debtor's financial difficulty, a concession that the Company would not otherwise consider;

- it is becoming probable that the debtor will enter into bankruptcy or other financial reorganisation; and

17. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

Note: (Continued)

c) Impairment of trade and other receivables, prepayments and deposits (Continued)

- observable data indicating that there is a measurable decrease in the estimated future cash flows from the debtor since their initial recognition, although the decrease cannot yet be identified including:
  - adverse changes in the payment status of debtors of the Company; and
  - economic conditions that correlate with defaults on the trade and other receivables, prepayments and deposits of the Company.

d) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2010	2009
	RMB'000	*RMB'000*
Neither past due nor impaired	**11,388**	10,065
Less than 6 months past due	**19,128**	–
More than 6 months but less than 1 year past due	**693**	–
	19,821	–
	31,209	10,065

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Company. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Company does not hold any collateral over these balances.

(e) As at 31 December 2010 and 2009, included in the balance of "Prepayments and deposits" is a refundable deposit of RMB13,000,000 paid for a proposed investment in a private enterprise established in the PRC which terms are subject to negotiations and the due diligence results. In the opinion of the Board of Directors of the Company, this deposit is fully recoverable and thus, no impairment is required.

(f) In 2009, the amounts due from fellow subsidiaries were reclassified to other receivables and prepayments as a result of change in shareholders in those fellow subsidiaries.

18. ASSETS CLASSIFIED AS HELD FOR SALE

	2010	2009
	RMB'000	*RMB'000*
Construction in progress		
– Land lease premium	–	2,433
– Other construction cost	–	46,751
	–	49,184
Land lease premium	–	12,770
	–	61,954
Impairment loss	–	(11,954)
	–	50,000

On 28 December 2009, a sales and purchase agreement was signed between the Company and an independent third party in relation to disposal of a parcel of land and construction in progress with the book value of approximately RMB15,203,000 and RMB46,751,000 respectively in return of consideration of RMB50,000,000 in cash. The Company assessed the recoverable amounts of the land and construction in progress and as a result an impairment of approximately RMB11,954,000 was recognised in respect of the construction in progress. The estimates of recoverable amounts were based on the fair values of land and construction in progress less costs to sell, determined by reference to the recent observable market prices for similar assets within the same location. Accordingly, the land lease premium and construction in progress were reclassified as assets classified as held for sale at 31 December 2009. The above transaction was completed during the year 2010.

19. TRADE PAYABLES

The ageing analysis of trade payables at the respective end of reporting period is as follows:

	2010	2009
	RMB'000	*RMB'000*
Over 365 days	**508**	508

20. ACCRUALS AND OTHER PAYABLES

Including in other payables is RMBNil (2009: RMB2,490,000) that is a dividend payable to Xian Northwest Industry (Group) Company Limited, ultimate holding company of the Company.

21. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

	2010	2009
	RMB'000	*RMB'000*
Provision for PRC enterprise income tax for the year	**644**	250
PRC enterprise income tax paid for the year	**(379)**	–
	265	250
Balance of PRC enterprise income tax provision relating to prior years	**4,468**	5,318
Balance of Hong Kong profit tax provision relating to prior year	**15**	–
	4,748	5,568

At 31 December 2010, the Company has unused tax losses of approximately RMB198,000 (2009: approximately RMB439,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The losses will expire after 2 years under current tax legislation.

22. DUE TO ULTIMATE HOLDING COMPANY

The amount due is unsecured, interest free and repayable or demand.

23. SHARE CAPITAL

	Number of shares	**Value**
	'000	*RMB'000*
Share capital of RMB0.10 each		
Registered, issued and fully paid:		
As at 31 December 2010	910,000	91,000
As at 31 December 2009	910,000	91,000

During the year, there was no change in the Company's registered and issued share capital.

24. CAPITAL MANAGEMENT

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the net debt to equity ratio. For this purpose the Company defines net debt as total debt (including trade payables, accruals and other payables, tax payables and amount due to ultimate holding company) less cash and cash equivalents and restricted bank balance. Total capital is calculated as equity, as shown in the statement of financial position.

The net debt to equity at the of reporting period end was as follows:

	2010	2009
	RMB'000	*RMB'000*
Total debts	**16,438**	17,574
Cash and bank balances	**(49,396)**	(978)
Net (asset)/debt	**(32,958)**	16,596
Total equity	**122,576**	112,792
Net debt to equity ratio	**N/A**	15%

The Company is not subject to externally imposed capital requirements.

25. MATERIAL RELATED PARTY TRANSACTIONS

The Company had the following related party transactions:

a) At the end of respective reporting period, the Company had the following balances with related parties:

	Dr/(Cr)	
	2010	2009
	RMB'000	*RMB'000*
Due to ultimate holding company	**(4,034)**	(252)
Dividend payable to ultimate holding company *(note 20)*	**–**	(2,490)

The amounts outstanding are unsecured, interest-free and repayable on demand.

25. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

b) Key management personnel remuneration

Remuneration for key management personnel of the Company, including amounts paid to the Company's directors is disclosed in note 8.

26. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

Financial assets at the end of reporting period are as follows:

	2010	2009
	RMB'000	*RMB'000*
Trade receivable	**31,209**	10,065
Other receivables	**85**	85
Cash and bank balances	**49,396**	978
Loan and receivables (including cash and bank balances)	**80,690**	11,128

Financial liabilities as at the end of reporting period are as follows:

	2010	2009
	RMB'000	*RMB'000*
Trade payables	**508**	508
Other payables, net of other tax payables	**6,036**	9,886
Due to ultimate holding company	**4,034**	252
Financial liabilities at amortised costs	**10,578**	10,646

26. FINANCIAL INSTRUMENTS (Continued)

b) The Company's financial instruments as stated in note 26(a) are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk and interest rate risk.

i) Credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

The Company's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customer operates. Trade receivables are normally due within 90 days of the billing date. Normally, the Company does not obtain collateral from customers.

At the end of reporting period, the Company has a concentration of credit risk as 21% and 69% (2009: 25% and 87%) of trade receivables was due from the largest customer and the largest 5 customers.

The credit risk on liquid funds is limited because the counter parties are banks.

Further quantitative disclosures in respect of the Company's exposure to credit risk arising from trade receivables are set out in note 17.

26. FINANCIAL INSTRUMENTS (Continued)

b) (Continued)

ii) Liquidity risk (Continued)

The Company's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, including the terms of borrowings from other related entities, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities or committed lines of funding from major financial institutions or other related entities to satisfy its contractual and reasonably foreseeable obligations as they fall due.

The following table presents the earliest contractual settlement dates of the Company's financial liabilities at the end of reporting period.

	2010		
	Carrying amount *RMB'000*	**Total uncontractual undiscounted cash flow** *RMB'000*	**Within 1 year or on demand** *RMB'000*
Trade payable	**508**	**508**	**508**
Other payables, net of other tax payables	**6,036**	**6,036**	**6,036**
Due to ultimate holding company	**4,034**	**4,034**	**4,034**
	10,578	**10,578**	**10,578**

	2009		
	Carrying amount *RMB'000*	Total uncontractual undiscounted cash flow *RMB'000*	Within 1 year or on demand *RMB'000*
Trade payable	508	508	508
Other payables, net of other tax payables	9,886	9,886	9,886
Due to ultimate holding company	252	252	252
	10,646	10,646	10,646

In order to manage the above liquidity demands, at 31 December 2010 RMB49,396,000 (2009: RMB978,000) of the Company's assets were held as cash that is readily realisable.

26. FINANCIAL INSTRUMENTS (Continued)

b) (Continued)

iii) Interest rate risk

The Company is exposed to interest rate risk only to the extent that it earns bank interest on cash and deposits only.

At 31 December 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Company's profit after tax and decrease/increase the company's accumulated losses by approximately RMB493,960 (2009: decrease in loss of approximately RMB9,000). Other components of equity would not be affected (2009: RMBNil) by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next end of annual reporting period. The analysis is performed on the same basis for 2009.

iv) Foreign currency risk

Most of the Company's monetary assets and liabilities are denominated in Renminbi and the Company conducted its business transactions principally in Renminbi. The Company currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure if necessary.

v) Fair value

The fair value of financial assets and financial liabilities are determined as follow:

– the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

– the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

Except as indicated in the financial information, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial information approximate to their fair values.

27. SHARE OPTION SCHEME

The Company's Share Option Scheme was approved by a resolution of the Shareholders of the Company dated 6 June 2004 (the "Share Option Scheme").

a) Participants of the share option scheme

The Board of Directors (the "Board") may invite any Employees including any executive director ("Employees") to take up options to subscribe for H Shares of the Company (the "Shares").

b) Payment on acceptance of option offer

HK$1 is payable by the Employees to the Company on acceptance of the option offer.

c) Price of shares

The subscription price for H Shares under the Share Option Scheme will be determined by the Board and notified to each grantee and will be no less than the higher of (a) the closing price of the H Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a trading day, (b) the average closing prices of the H Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer and (c) the nominal value of the H Share.

d) Maximum number of shares

The total number of H Shares subject to the Share Option Scheme must not, in aggregate, exceed 30% of issued H Shares of the Company in issue from time to time subject to this:

i) The total number of H Shares available for issue under options which may be granted under the Share Option Scheme and any other scheme, must not in aggregate, exceed 10% of the number of the H Shares of the Company in issue as at the date of approval unless further Shareholders' approval has been obtained pursuant to paragraph (ii) or (iii) or (iv) below;

ii) The Board may seek approval of Shareholders in general meeting to renew the 10% limit in paragraph (i). However, the total number of H Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other schemes of the Company under the limit as renewed must not exceed 10% of the number of H Shares of the Company in issued as at the date of the approval to renew the limit;

iii) The Board may seek separate shareholders' approval in general meeting to grant options beyond 10% limit provided that (i) the total number of H Shares subject to the Share Option Scheme and other such schemes of the Company does not in aggregate exceed 30% of the total number of H Shares of the Company in issue at the date of approval and (ii) the options in excess of the 10% limit are granted only to participants specified by the Board before such approval is sought;

27. SHARE OPTION SCHEME (Continued)

d) Maximum number of shares (Continued)

iv) No Employees shall be granted an option which, if all the options granted to the Employee (including both exercised and outstanding options) in any 12-month period up to the date of the grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the number of H Shares of the Company issued, unless approved by shareholders in general meeting, with such Employee and his associates abstaining from voting; and

v) Each grant of options to a connected person (as defined in the GEM Listing Rules) must be approved by the independent non-executive directors (excluding independent non-executive director who is the grantee of the options). Where any grant of options to a substantial shareholder (as defined in the GEM Listing Rules) or an independent non-executive director, or any of their respective associates, would result in the H Shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the H Shares in issue and having an aggregate value, based on the closing price of H Shares at the date of each grant, in excess of HK$5 million, such further grant of options must be approved by the shareholders.

e) Time of exercise of option

No Employees who are PRC nationals and have taken up any options to subscribe for H Shares shall be entitled to exercise any such options until (a) the H Shares restrictions have been abolished or removed and; (b) approvals have been obtained from the China Securities Regulatory Commission or other relevant government authorities in the PRC for the exercise of any options which may be granted under the Share Option Scheme. Subject to the above, an option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period (the "Option Period") to be notified by the Board to each grantee provided that the period within which the option must be exercised shall be not less than three years and not more than ten years from the date of grant of the option.

f) Period of the share option scheme

The Share Option Scheme will remain valid for a period of 10 years commencing on the date on which the scheme was adopted and approved by the shareholders of the Company (save that the Company, by ordinary resolution in general meeting or Board may at any time terminate the operation of the Share Option Scheme). After termination, no further options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

No option has been granted by the Company under the Share Option Scheme since its adoption.

28. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

a) Key sources of estimation uncertainty

In the process of applying the Company's accounting policies which are described in note 3(b), management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the end of reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

Impairment of property, plant and equipment and land lease premium

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Company uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customers taste and competitor actions in response to severe industry cycles. Management will reassess the estimates by the end of reporting period.

28. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

a) Key sources of estimation uncertainty (Continued)

Useful lives of property, plant and equipment

In accordance with HKAS 16, the Company estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Company also performs annual reviews on whether the assumptions made on useful lives continued to be valid.

Income taxes

Determining income tax provisions involves judgement of the future tax treatment of certain transactions an the interpretation of tax rules. The Company carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Impairment on trade and other receivables, prepayments and deposits

The policy for impairment on trade and other receivables, prepayments and deposits of the Company's is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Company were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

The carrying amount of trade receivables and prepayments, deposits and other receivables at the end of reporting period were approximately RMB31,209,000 and RMB22,355,000 respectively (2009: RMB10,065,000 and RMB25,832,000 respectively) after impairment losses of approximately RMB308,000 (2009: RMB6,319,000) was recognised during the year. Details of the impairment losses are provided in note 17.

b) Critical accounting judgements in applying the Company's accounting policies

In determining the carrying amounts of some assets and liabilities, the Company makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Company's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Company's accounting policies.

29. RETIREMENT BENEFIT SCHEME

The Company contributed to a local municipal government retirement scheme for all qualified employees in the PRC. The employer and its employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Company with respect to the retirement scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The total cost charged to the statement of comprehensive income of approximately RMB90,000 (2009: approximately RMB182,000) represents contributions payable to the scheme by the Company during the year.

Law of the PRC on Employment Contracts (the "Employment Contract Law") was adopted by the Standing Committee of the National People's Congress of the PRC in 2007 and became effective on 1 January 2008. Compliance with the requirements under the new law, in particular, the requirement of severance payment and non-fixed term employment contracts, will increase the Company's labour costs.

Pursuant to the Employment Contract Law, the Company is required to enter into non-fixed term employment contract with employees who has worked for the employer for more than 10 years or whom a fixed term employment has been concluded for 2 consecutive terms. The employer is required to make severance payment to the employee when the term of the employment contract expires unless the employee voluntarily terminate the contract or voluntarily reject the offer to renew the contract in which the terms are no worse off than the terms of other employment contracts available to him/her. The severance payment will be equal to the monthly wages times the number of full years that the employee has been working for the employer. The minimum wages requirement has also been imposed. Fines will be imposed for any breach of the Employment Contract Law.

The Company has no other material obligation for the payment of retirement benefits associated with the schemes beyond the contribution described above.

30. PARENT COMPANY

At 31 December 2010, the directors consider the parent company of the Company is Xi'an Northwest Industry (Group) Limited, which is established in the PRC. This entity does not produce financial statements available for public use.

31. COMPARATIVE FIGURES

With a review of financial statements presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform to the current year's presentation.

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**53,069**	32,983	48,666	74,436	62,303
Profit/(loss) before taxation	**10,193**	(22,733)	(12,922)	16,673	14,024
Taxation	**(409)**	(250)	(850)	(2,227)	–
Net profit/(loss) for the year	**9,784**	(22,983)	(13,772)	14,446	14,024

ASSETS AND LIABILITIES

	At 31 December				
	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**139,014**	130,366	181,553	202,309	220,378
Total liabilities	**(16,438)**	(17,574)	(45,778)	(52,762)	(85,277)
Total equity	**122,576**	112,792	135,775	149,547	135,101