



陝西西北新技術實業股份有限公司

SHAANXI NORTHWEST NEW TECHNOLOGY INDUSTRY COMPANY LIMITED\*

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

*Interim Report*  
**2011**

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

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## **SUMMARY**

- For the six months ended 30 June 2011, a turnover of RMB194,520,000 was recorded, representing an decrease of 10% against that of the corresponding period in the previous year.
- For the six months ended 30 June 2011, a profit of RMB5,727,000 was recorded.
- The Directors do not recommend the payment of any dividend for the six months ended 30 June 2011.

# FINANCIAL INFORMATION

## INTERIM RESULTS

The board of Directors (the “Board”) of Shaanxi Northwest New Technology Industry Company Limited (the “Company”) hereby announces the unaudited operating results of the Company for the three months and six months ended 30 June 2011 and the unaudited comparative figures for the corresponding period in 2010 as follows:

### UNAUDITED INCOME STATEMENT

For the three months and six months ended 30 June 2011

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Turnover	2	<b>12,246</b>	12,333	<b>19,452</b>	21,791
Cost of sales		<b>(8,897)</b>	(10,027)	<b>(15,370)</b>	(18,205)
Gross profit		<b>3,349</b>	2,306	<b>4,082</b>	3,586
Other revenue		<b>4,886</b>	–	<b>4,886</b>	–
Distribution costs		<b>(257)</b>	(589)	<b>(452)</b>	(628)
Administrative expenses		<b>(689)</b>	(713)	<b>(2,685)</b>	(2,995)
Operating profit		<b>7,289</b>	1,004	<b>5,831</b>	(37)
Finance costs		<b>32</b>	37	<b>57</b>	93
Other incomes					
Profit before taxation		<b>7,321</b>	1,041	<b>5,888</b>	56
Taxation	3	<b>(161)</b>	–	<b>(161)</b>	–
Net profit (loss)		<b>7,160</b>	1,041	<b>5,727</b>	56
Dividend		–	–	–	–
Earnings per share	5	<b>RMB0.0079</b>	RMB0.001	<b>RMB0.0063</b>	RMB0.00006

## BALANCE SHEET

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2011</b>	2010
	<i>Note</i>	<b>RMB'000</b>	<i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>19,804</b>	24,292
Land lease premium		<b>7,562</b>	7,668
		<b>27,366</b>	31,960
<b>Current assets</b>			
Inventories		<b>6,456</b>	3,884
Account and other receivables and prepayments	6	<b>47,347</b>	53,564
Land lease premium		<b>210</b>	210
Due from fellow subsidiaries		-	-
Bank balances – restricted		-	-
Bank balance and cash		<b>59,736</b>	49,396
		<b>113,749</b>	107,054
<b>Current liabilities</b>			
Account and other payables	7	<b>400</b>	508
Due to ultimate holding company		<b>4,034</b>	4,034
Taxation payable		<b>(335)</b>	4,748
Accruals and other payables		<b>8,713</b>	7,148
		<b>12,812</b>	16,438
<b>Net current assets (liabilities)</b>		<b>100,937</b>	90,616
<b>Net assets</b>		<b>128,303</b>	122,576
<b>Capital and reserves</b>			
Share capital	8	<b>91,000</b>	91,000
Reserves		<b>37,303</b>	31,576
		<b>128,303</b>	122,576

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2011

	Unaudited	
	For the six months	
	ended 30 June	
	2011	2010
	RMB'000	RMB'000
Net cash used in operating activities	10,346	7,109
Net cash used in investment activities	(6)	50,000
Net cash from financing	-	-
Increase/(decrease) in bank balance and cash	10,340	57,109
Bank balance and cash as at 1 January	49,396	978
Bank balance and cash as at 30 June	<u>59,736</u>	<u>58,087</u>

# NOTES TO THE CONDENSED ACCOUNTS

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim accounts (“Interim Accounts”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“HKSSAP”) 2.125 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, and Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong. The Interim Accounts should be read together with our 2010 annual accounts.

The accounting policies and methods of computation adopted in the preparation of this Interim Accounts are consistent with those used in the annual accounts for the year ended 31 December 2010.

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

## 2. SEGMENTAL INFORMATION

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

For the six months ended 30 June 2011

	<b>FA-90 and others</b>	<b>Thiol</b>	<b>Total</b> <i>(RMB'000)</i>
Turnover	11,585	7,867	19,452
Cost of sales	(9,336)	(6,034)	(15,370)
Gross profit	2,249	1,833	4,082
Distribution costs			(452)
Administrative expenses			(2,685)
Finance costs			57
Other operating income			4,886
Profit before taxation			5,888
Taxation			161
Net profit			5,727



### 3. TAXATION

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

	For the three months ended 30 June		For the three months ended 30 June	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
PRC (Note)	<u>161</u>	<u>–</u>	<u>161</u>	<u>–</u>

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

### 4. INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the period (2010: Nil).

### 5. EARNINGS PER SHARE

The earnings per share for the three months and six months ended 30 June 2011 are RMB0.0079 and RMB0.0063 respectively.

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

### 6. ACCOUNT RECEIVABLES AND OTHER RECEIVABLES

	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
Account receivables	23,667	31,209
Other receivables	85	85
	<u>23,752</u>	<u>31,294</u>

### 7. ACCOUNT PAYABLES AND OTHER PAYABLES

	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
Account payables	400	508
Other payables	8,713	6,036
Due to ultimate holding company	4,034	4,034
	<u>13,147</u>	<u>10,576</u>

## 8. SHARE CAPITAL

	As at 30 June 2011		As at 31 December 2010	
	Number of shares	RMB'000	Number of shares	RMB'000
Authorised Ordinary shares of nominal value of RMB0.1 each	<u>910,000,000</u>	<u>91,000</u>	910,000,000	91,000
Issued and fully paid at the end of the period	<u>910,000,000</u>	<u>91,000</u>	910,000,000	91,000

## 9. PLEDGE OF ASSETS

Nil

## 10. COMMITMENTS

### (a) Capital commitments

	As at 30 June 2011	As at 31 December 2010
	RMB'000	RMB'000
Capital expenditure of property, plant and equipment	6	2
– Authorised but not contracted for	–	–
– Contracted for but not yet provided for in the statements	–	–
	<u>6</u>	<u>2</u>

## 11. SUBSEQUENT EVENTS

### Taxation

Taxes in respect of profit derived in the PRC are provided at the applicable rate of 15% in the PRC on the assessable profit. There is no material deferred tax not provided for during the Relevant Period or on the respective balance sheet dates.

### Dividend

The Directors do not recommend the payment of any dividend for the three months and six months ended 30 June 2011 (For the six months ended 30 June 2010: Nil).

# **MANAGEMENT DISCUSSION AND ANALYSIS**

## **FINANCIAL REVIEW**

For the six months ended 30 June 2011, the unaudited turnover of the Company was RMB194,520,000, representing an decrease of 10% against that of the corresponding period of the previous year. The unaudited profit for the six months ended 30 June 2011 was RMB5,727,000. The substantial increase in profit was mainly attributable to the recovery of a part of account receivables which has been provided, the upward adjustment of the products' sales prices during the year, as well as the lowered energy consumption, all of which resulted in a higher sales profit margin. The production and sales of products were in smooth progress in the second quarter of the year, which improved the Company's profitability, not only recouped the loss of the first quarter, but also took a favorable turn from loss to profit.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 June 2011, the shareholders' equity of the Company was approximately RMB128,303,000 (31 December 2010: RMB122,576,000); cash and bank balances denominated in Renminbi were approximately RMB59,736,000 (31 December 2010: RMB49,396,000); current assets were about RMB113,749,000 (31 December 2010: RMB107,054,000); and current liabilities were approximately RMB12,812,000 (31 December 2010: RMB16,438,000).

## **ACQUISITION AND DISPOSAL OF SUBSTANTIAL INVESTMENTS AND SUBSIDIARIES**

For the six months ended 30 June 2011 and the corresponding period of the previous year, there was no significant investment or significant acquisition or disposal of subsidiaries and associates.

## **FUTURE SIGNIFICANT INVESTMENT PLANS AND EXPECTED CAPITAL SOURCES**

There was no other significant investment plan as at 30 June 2011.

## **CAPITAL COMMITMENTS**

Disclosed in Note 10 to the condensed interim results.

## **GEARING RATIO**

The gearing ratio as at 30 June 2011 (calculated as the ratio of total loan to net assets) was 0% (31 December 2010: 0%).

## **EXCHANGE RATE RISK**

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

## **CONTINGENT LIABILITY**

As at 30 June 2011, there were no significant contingent liabilities.

## **BUSINESS DEVELOPMENT**

As at 30 June 2011, the Company concentrated its effort on the sales of FA-90 and thiol products with sales of RMB11,585,000 and RMB7,867,000 respectively. The entire production was smooth, continual and stable. As the Company's existing businesses were unable to fulfil the requirement for its development, the management was paying close attention to explore new business fields which may become new drives for its business growth, and strived for a business development with sustainable and rapid growth for the Company in the future.

## OTHER INFORMATION

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

As at 30 June 2011, the interests or short positions of the Directors, supervisors and chief executives of the Company in shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

### INTERESTS IN DOMESTIC SHARES OF THE COMPANY

Name	Capacity	Number of domestic shares	Approximate shareholding percentage in the entire issued domestic shares	Approximate shareholding percentage in the entire issued share capital of the Company
Wang Cong ( <i>Note 1</i> )	Interest of controlled corporation	609,500,000	89.63%	66.98%
Zheng Rongfang	Beneficial owner	2,000,000	0.29%	0.22%
Guo Qiubao	Beneficial owner	2,000,000	0.29%	0.22%
Wang Feng	Beneficial owner	2,000,000	0.29%	0.22%
Wang Zheng	Beneficial owner	2,000,000	0.29%	0.22%
Zheng Yinglin	Beneficial owner	2,000,000	0.29%	0.22%
Yan Buqiang	Beneficial owner	2,000,000	0.29%	0.22%

*Note:*

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

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

Save as disclosed above, none of the Directors or supervisors was granted any options to subscribe for shares in the Company during the six months ended 30 June 2011.

## INTERESTS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, the persons (other than Directors, supervisors or chief executives of the Company) who had an interest or short position in any share or underlying share of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

### INTERESTS IN DOMESTIC SHARES OF THE COMPANY (LONG POSITIONS)

#### Substantial shareholders

Name	Capacity	Number of domestic shares	Approximate shareholding percentage in the entire issued domestic shares	Approximate shareholding percentage in the entire issued share capital of the Company
Northwest Group	Beneficial owner	609,500,000	89.63%	66.98%
Shaanxi Jing Dian Investment Company Limited ("Jing Dian Investment")	Beneficial owner	58,500,000	8.6%	6.43%
Ding Xianguang ( <i>Note</i> )	Interest of controlled corporation	58,500,000	8.6%	6.43%
Zhang Jianming ( <i>Note</i> )	Interest of controlled corporation	58,500,000	8.6%	6.43%

*Note:* Each of Ding Xianguang and Zhang Jianming was beneficially interested in 40% of the equity interest in Jing Dian Investment, and was deemed to be interested in 58,500,000 domestic shares under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## **SHARE OPTION SCHEME**

The Company has conditionally adopted a share option scheme. The major terms and conditions of the share option scheme are set out in the section headed “Share Option Scheme” in Appendix VI to the Prospectus. As at 30 June 2011, no share option has been granted under the share option scheme.

## **COMPETING INTERESTS**

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

## **AUDIT COMMITTEE**

The Company has established an audit committee on 6 July 2002 in compliance with Rules 5.28 and 5.31 of the GEM Listing Rules. The committee has definite responsibilities and scope of duties. The principal duties of the audit committee are to review the annual reports and accounts, interim reports and quarterly reports of the Company and to provide relevant recommendations and advice to the Board and supervise the financial reporting process and internal control system of the Company. The audit committee comprises two independent non-executive Directors, namely Mr. Li Gangjian and Mr. Wei Dazhi and one non-executive Director, namely Ms. Zheng Rongfang. Mr. Li Gangjian is the chairman of the audit committee.

The unaudited interim accounts for the six months ended 30 June 2011 have been reviewed by the audit committee of the Company.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Board, the Company has complied with the code provisions in the Code on Corporate Governance Practice (the “Code”) as set out in Appendix 15 of the GEM Listing Rules during the six months ended 30 June 2011 subject to the deviation disclosed hereof.

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

## **SECURITIES TRANSACTIONS CONDUCTED BY DIRECTORS**

Since the listing of the Company on GEM on 3 July 2003, the Company has adopted a code of conduct regarding the securities transactions by Directors on terms no less exacting than the required standard of dealings. The Company also has made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the six months ended 30 June 2011.

## **REPURCHASE, SALE OR REDEMPTION OF SECURITIES**

The Company did not purchase, sell or redeem any of its listed securities during the six months ended 30 June 2011.

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

Xi'an, the People's Republic of China, 8 August 2011

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

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