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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)

ENTERING INTO OF OPTION AGREEMENT

On 22 November 2011 (after trading hours), the Company and the Grantee entered into the Option Agreement, pursuant to which the Company has conditionally agree to grant the Grantee the Option, which is exercisable during the Option Period, to subscribe for a maximum of 46,000,000 new H Shares at the Exercise Price of HK\$0.25 per Option Share.

The grant of the Option is subject to, among other things, fulfillment of the conditions precedent in the Option Agreement. As the grant of the Option may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

On 22 November 2011 (after trading hours), the Company and the Grantee entered into the Option Agreement, the principal terms of which are set out below:

THE OPTION AGREEMENT

Parties involved

- (i) The Company; and
- (ii) The Grantee.

The Grantee is an investment holding company incorporated in the British Virgin Islands and wholly-owned by Mr. Lau Chi Yuen, Joseph. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Grantee and its ultimate beneficial owner are Independent Third Parties.

Grant of the Option

Subject to the satisfaction of the Conditions and in consideration of the Consideration, on Completion, the Company agree to grant to the Grantee the Option to subscribe for a maximum of 46,000,000 H Shares at the Exercise Price of HK\$0.25 per Option Share.

Conditions of the grant of the Option

It shall be the conditions precedent for the grant of the Option that prior thereto:

- (i) the Stock Exchange granting the listing of, and permission to deal in, the Option Shares; and
- (ii) the approval of the CSRC for the issue and allotment of Option Shares having been obtained.

If the Conditions have not been fulfilled on or before the Long Stop Date, the Option Agreement will lapse and become null and void and the parties will be released from all obligations hereunder, save for liabilities for any antecedent breaches thereof.

Completion of the grant of the Option

Completion of the grant of the Option shall take place on the third Business Day after all of the Conditions have been fulfilled (or such later date as the Company and the Grantee may agree in writing).

Principal terms of the Option

Consideration	:	HK\$180,000
Option Shares	:	maximum 46,000,000 H Shares
Exercise Price	:	HK\$0.25 per Option Share

Upon the occurrence of any Relevant Event, the Option Price shall be adjusted in such manner (if at all), determined to be fair and reasonable by a merchant bank or a firm of accountants appointed by the Company. In making the determination, such merchant bank or firm of accountants shall act as experts and their determination shall be conclusive and binding on both the Company and the Grantee.

- Exercise Period : The period commencing on the Completion Date and ending on the date which is two years from the Completion Date (both days inclusive). The Option can be exercised in whole or in part at any time during the Exercise Period for such number of Option Shares in integral multiples of the whole board lot of the H Shares being traded on the Stock Exchange.
- Transferability : Except with prior written consent of the Company, the Option is not transferrable.
- Ranking of the Option Shares : The Option Shares, when allotted and issued, will rank pari passu in all respect among themselves and with all other H Shares then in issue.

THE OPTION SHARES

Upon exercise in full of the Option, initially a total of 46,000,000 H Shares will be allotted and issued. The Option Shares represent:

- (i) 20% of the existing issued H Shares as at the date of this announcement;
- (ii) approximately 5.05% of the existing issued H Shares and Domestic Shares as at the date of this announcement;
- (iii) approximately 16.67% of the issued H Shares as enlarged by the allotment and issue of the Option Shares; and
- (iv) approximately 4.81% of the issued H Shares and Domestic Shares as enlarged by the allotment and issue of the Option Shares.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Option Shares.

THE EXERCISE PRICE

The Exercise Price of HK\$0.25 represents:

- (i) a discount of approximately 10.71% against the closing price of HK\$0.28 per H Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a premium of approximately 8.98% over the average closing price of HK\$0.2294 per H Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Date; and

- (iii) a premium of approximately 12.92% over the average closing price of HK\$0.2214 per H Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Date.

The Consideration and the Exercise Price were determined after arm's length negotiations between the Company and the Grantee after considering, among other things, the published financial information of the Company, liquidity of the H Shares and prevailing prices of the H Shares.

MANDATE

The Option will be granted and the Option Shares will be allotted and issued pursuant to the general mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 30 December 2010 and is not subject to any Shareholders' approval. Such general mandate has not been previously utilized prior to the entering into of the Option Agreement.

REASONS FOR THE GRANT OF THE OPTION

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.

The Directors consider that grant of the Option would enhance the capital base of the Company and provide additional funds for investment opportunities as when they arise.

The Directors consider that the terms of the Option Agreement (including the Consideration and the Exercise Price) are fair and reasonable and the grant of the Option is in the interest of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds and net proceeds from the grant of the Option will be HK\$180,000 and HK\$160,000 respectively (without taking into account of the exercise of the Option).

Assuming exercise in full of the Option at the initial Exercise Price, it is expected that an additional amount of HK\$11.5 million will be raised, and the net proceeds raised per Option Share will be approximately HK\$0.25.

The aggregate net proceeds from the grant of the Option and the allotment and issue of the Option Shares are intended to be used as general working capital of the Company and for future investment opportunities as and when they arise.

FUND RAISING ACTIVITIES DURING THE PAST TWELVE MONTHS

The Company did not have any fund raising activity on any issue of equity securities in the past twelve months immediately prior to the date of this announcement.

CHANGES IN THE SHAREHOLDINGS STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has a registered capital of RMB91,000,000 divided into 680,000,000 Domestic Shares and 230,000,000 H Shares.

For illustration purpose only, the shareholding structure of the Company as at the date of this announcement and immediately after Completion (assuming exercise in full of the Option at the initial Exercise Price and assuming that no further Shares will be issued from the date of this announcement to the date of Completion) are as follows:

	As at the date of this announcement		Immediately after Completion	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Xi'an Northwest Industry (Group) Company Limited (Note 1)	609,500,000 Domestic Shares	66.98%	609,500,000 Domestic Shares	63.75%
Wang Feng (Note 2)	2,000,000 Domestic Shares	0.22%	2,000,000 Domestic Shares	0.21%
Zheng Rongfang (Note 2)	2,000,000 Domestic Shares	0.22%	2,000,000 Domestic Shares	0.21%
Yan Buqiang (Note 2)	2,000,000 Domestic Shares	0.22%	2,000,000 Domestic Shares	0.21%
Other holders of Domestic Shares	64,500,000 Domestic Shares	7.09%	64,500,000 Domestic Shares	6.75%
Sub-total:	680,000,000 Domestic Shares	74.73%	680,000,000 Domestic Shares	71.13%
Public The Grantee	–	–	46,000,000 H Shares	4.81%
Other holders of H Shares	230,000,000 H Shares	25.27%	230,000,000 H Shares	24.06%
Sub-total:	230,000,000 H Shares	25.27%	276,000,000 H Shares	28.87%
Total:	910,000,000 Shares	100%	956,000,000 Shares	100%

Notes:

1. Xi'an Northwest Industry (Group) Company Limited is beneficially owned as to 98% by Wang Cong, the Chairman of the Company and an executive Director.
2. Wang Feng is an executive Director, Zheng Rongfang is a non-executive Director and Yan Buqiang is a Supervisor.

GENERAL

The grant of the Option is subject to, among other things, fulfillment of the conditions precedent in the Option Agreement. As the grant of the Option may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following terms have the following meanings:

“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday and public holiday in Hong Kong) on which banks are generally open for business in Hong Kong
“Company”	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 company incorporated in the PRC and whose H Shares are listed on GEM
“Completion”	the completion of the grant of the Option by the Company to the Grantee in accordance to the terms and conditions of the Option Agreement
“Completion Date”	means the third Business Day after all of the Conditions have been fulfilled (or such later date as the Company and the Grantee may agree in writing)
“Conditions”	the conditions precedent of the grant of the Option as set out under the paragraph headed “Conditions of the grant of the Option” in this announcement
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	HK\$180,000, payable by the Grantee pursuant to the Option Agreement for the grant of the Option by the Company
“CSRC”	China Securities Regulatory Commission
“Directors”	the directors of the Company
“Domestic Shares”	the domestic invested shares of nominal value of RMB0.10 each in the share capital of the Company, which are subscribed for in RMB

“Exercise Period”	the period commencing on the Completion Date and ending on the date which is two years from the Completion Date (both days inclusive)
“Exercise Price”	exercise price of the Option, initially being HK\$0.25 per Option Share
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Grantee”	JL Investments Capital Limited
“H Shares”	the overseas listed foreign invested shares of nominal value of RMB0.10 each in the share capital of the Company, which are listed on GEM and subscribed for and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administration Region of the PRC
“Independent Third Party(ies)”	party(ies) which is independent of and not connected with the Company and any of connected person of the Company
“Last Trading Date”	22 November 2011, the date of the Option Agreement
“Long Stop Date”	12 months from the date of the Option Agreement (or such other date as may be agreed between the Company and the Grantee)
“Option”	the option to be granted by the Company to the Grantee pursuant to the Option Agreement
“Option Agreement”	the Option Agreement dated 22 November 2011 entered into between the Company and the Grantee
“Option Share”	a maximum of 46,000,000 new H Shares in the capital of the Company and, in the event there is any increase in or reorganization or variation of the capital of the Company, any shares issued in exchange for such number of H Shares by way of conversion or reclassification and any shares representing or deriving from such number of H Share
“PRC”	the People’s Republic of China, but for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

“Relevant Event”	any variation in the share capital of the Company arising from any reduction, sub-division or consolidation of share capital
“Shareholders”	holders of the Domestic Shares or the H Shares
“Shares”	Domestic Shares and H Shares
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Shaanxi Province, the PRC, 22 November 2011

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

Executive Directors:

Mr. Wang Cong, Mr. Wang Feng, Mr. Gao Peng and Mr. Yang Xiaohuai

Non-executive Directors:

Ms. Zheng Rongfang

Independent Non-executive Directors:

Mr. Li Gangjian, Mr. Chen Tao and Mr. Wei Dazhi

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page on the GEM website for at least 7 days from the day of its posting.

* For identification purpose only