



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
2012

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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 2012, a turnover of RMB22,800,000 was recorded, representing an increase of 17% over that for the corresponding period in the previous year.
- For the six months ended 30 June 2012, a profit of RMB5,900,000 was recorded.
- The Directors do not recommend the payment of any dividend for the six months ended 30 June 2012.

FINANCIAL INFORMATION

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 six months ended 30 June 2012, together with the unaudited comparative figures for the corresponding period in 2011 as follows:

UNAUDITED INCOME STATEMENT

For the six months ended 30 June 2012

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Turnover	2	14,248	12,246	22,797	19,452
Cost of sales		(10,279)	(8,897)	(17,109)	(15,370)
Gross profit		3,969	3,349	5,688	4,082
Other revenue		4,561	4,886	4,561	4,886
Distribution costs		(549)	(257)	(959)	(452)
Administrative expenses		(1,011)	(689)	(3,065)	(2,685)
Operating profit		6,970	7,289	6,225	5,831
Finance costs		26	32	59	57
Other incomes					
Profit before taxation		6,996	7,321	6,284	5,888
Taxation	3	(388)	(161)	(388)	(161)
Net profit (loss)		6,608	7,160	5,896	5,727
Dividend		-	-	-	-
Earnings per share	5	RMB0.0073	RMB0.0079	RMB0.0065	RMB0.0063

BALANCE SHEET

		Unaudited As at 30 June 2012 RMB'000	Audited As at 31 December 2011 RMB'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		19,667	21,344
Land lease premium		7,354	7,458
		27,021	28,802
Current assets			
Inventories		736	3,457
Trade and other receivables and prepayments	6	68,918	55,917
Land lease premium		210	210
Due from fellow subsidiaries			
Bank balances – restricted		–	–
Bank balance and cash		59,998	61,499
		129,862	121,083
Current liabilities			
Trade and other payables	7	612	692
Due to ultimate holding company		–	3,827
Taxation payable		826	4,485
Accruals and other payables		16,969	8,301
		18,407	17,305
Net current assets (liabilities)		111,455	103,778
Net assets		138,476	132,580
Capital and reserves			
Share capital	8	91,000	91,000
Reserves		47,476	41,580
		138,476	132,580

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2012

	Unaudited	
	For the six months	
	ended 30 June	
	2012	2011
	RMB'000	RMB'000
Net cash used in operating activities	(1,501)	10,346
Net cash used in investment activities	-	(6)
Net cash from financing	-	-
Increase/(decrease) in bank balance and cash	(1,501)	10,340
Bank balance and cash as at 1 January	61,499	49,396
Bank balance and cash as at 30 June	59,998	59,736

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim accounts ("Interim Accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("HKSSAP") 2.125 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants, and Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited. The Interim Accounts should be read together with our 2011 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 2011.

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 2012

	FA-90 and others	Thiol	Total <i>(RMB'000)</i>
Turnover	13,988	8,809	22,797
Cost of sales	(11,019)	(6,090)	(17,109)
	<hr/>	<hr/>	<hr/>
Gross profit	2,969	2,719	5,688
Distribution costs			(959)
Administrative expenses			(3,065)
Finance costs			59
Other operating income			4,561
			<hr/>
Profit before taxation			6,284
Taxation			388
			<hr/>
Net profit			<u>5,896</u>

3. TAXATION

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

	For the three months ended 30 June		For the six months ended 30 June	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
PRC (Note)	<u>388</u>	<u>161</u>	<u>388</u>	<u>161</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 (2011: Nil).

5. EARNINGS PER SHARE

The earnings per share for the three months and six months ended 30 June 2012 are RMB0.0073 and RMB0.0065 per share respectively.

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

6. TRADE RECEIVABLES AND OTHER RECEIVABLES

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Trade receivables	44,503	19,548
Other receivables	5,799	85
	<u>50,302</u>	<u>19,633</u>

7. TRADE PAYABLES AND OTHER PAYABLES

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Trade payables	612	692
Other payables	16,634	7,779
Due to ultimate holding company	-	3,827
	<u>17,246</u>	<u>12,298</u>

8. SHARE CAPITAL

	As at 30 June 2012		As at 31 December 2011	
	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 2012 RMB'000	As at 31 December 2011 RMB'000
Capital expenditure of property, plant and equipment	-	6
– Authorised but not contracted for	-	-
– Contracted for but not yet provided for in the statements	-	-
	<u>-</u>	<u>-</u>

11. SUBSEQUENT EVENTS

Taxation

Taxes in respect of profit derived in the PRC are provided at the applicable rate of 15% in the PRC on the assessable profit for the period. 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 2012 (For the six months ended 30 June 2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2012, the unaudited turnover of the Company was RMB22,800,000, representing an increase of 17% against that of the corresponding period of the previous year. The unaudited profit for the six months ended 30 June 2012 was RMB5,900,000, which was roughly flat with that of the corresponding period of the previous year. This was mainly attributable to the normal production and operation and the recovery of a part of account receivables which has been provided, which offset the loss for the first quarter and took a favorable turn from loss to profit.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2012, the shareholders' equity of the Company was approximately RMB138,476,000 (31 December 2011: RMB132,580,000); cash and bank balances denominated in Renminbi were approximately RMB59,998,000 (31 December 2011: RMB61,499,000); current assets were about RMB126,685,000 (31 December 2011: RMB121,083,000); and current liabilities were approximately RMB18,407,000 (31 December 2011: RMB17,305,000).

ACQUISITION AND DISPOSAL OF SUBSTANTIAL INVESTMENTS AND SUBSIDIARIES

For the six months ended 30 June 2012, the Company is proceeding with an acquisition of a company which operates distribution business of natural gas in Shaanxi Province (the "Project"). The Project is currently in the process as scheduled. There was no proposal in respect of disposal of subsidiaries and associates.

CAPITAL COMMITMENTS

Disclosed in Note 10 to the condensed interim results.

GEARING RATIO

The gearing ratio as at 30 June 2012 (calculated as the ratio of total loan to net assets) was 0% (31 December 2011: 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 2012, there were no significant contingent liabilities.

BUSINESS DEVELOPMENT

As at 30 June 2012, the Company concentrated its effort on the sales of FA-90 and thiol products with sales revenue of RMB13,988,000 and RMB8,809,000 respectively. The entire production was smooth, continual and stable. As the Company's existing businesses were unable to fulfill 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 sustainable business growth for the Company in the future.

OTHER INFORMATION

As at 30 June 2012, the interests or short positions of the Directors, chief executives and supervisors 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 transactions in securities by directors of listed issuers 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 (shares)	Approximate shareholding percentage in the entire issued domestic shares	Approximate shareholding percentage in the entire issued share capital of the Company
Wang Cong (Note 1)	Interest of controlled corporation	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%
Zeng Yinglin	Beneficial owner	2,000,000	0.29%	0.22%
Yan Buciang	Beneficial owner	2,000,000	0.29%	0.22%

Note:

- The 609,500,000 domestic shares were held by Xi'an Northwest Industry (Group) Company Limited (西安西北實業(集團)有限公司) (“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 2012.

INTERESTS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, the persons (other than the Directors, supervisors or chief executives of the Company) who have an interest or short position in any share or underlying share of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

INTERESTS IN DOMESTIC SHARES OF THE COMPANY (LONG POSITIONS)

Substantial shareholders

Name	Capacity	Number of domestic shares (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 (Note)	Interest of controlled corporation	58,500,000	8.6%	6.43%
Zhang Jianming (Note)	Interest of controlled corporation	58,500,000	8.6%	6.43%

Note: Each of Ding Xianguang and Zhang Jianming is beneficially interested in 40% of the equity interest in Jing Dian Investment, and is deemed to be interested in 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.

On 22 November 2011, the Company entered into a share option agreement to make a conditional placing of 46,000,000 shares to JL Investment Capital Limited, a company incorporated in the British Virgin Islands. The share option scheme and the notice were published in the website of the Stock Exchange on 22 November 2011.

On 4 July 2012, the Company and the Grantee entered into a Deed of Termination, pursuant to which the Company and the Grantee unconditionally and irrevocably agree, among others, that with immediate effect (i) the Option Agreement shall be absolutely terminated; (ii) none of the Company and the Grantee has or shall have any rights, claims or interests whatsoever against the other under or arising from the Option Agreement; and (iii) to the extent that any of the Company and the Grantee has or may have any rights, claims or interests whatsoever against the other under or arising from the Option Agreement, such rights, claims or interests are hereby fully, irrevocably, unconditionally and absolutely waived, discharged and released.

As at 30 June 2012, no share option has been granted under the share option scheme.

COMPETING INTEREST

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

AUDIT COMMITTEE

The Company has established an audit committee on 6 July 2002 in compliance with Rules 5.23 and 5.24 of GEM Listing Rules. The committee has definite terms of reference and responsibilities. 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. Chen Tao and one non-executive Director, namely Mr. Gao Peng. Mr. Li Gangjian is the chairman of the audit committee.

The unaudited interim results for the six months ended 30 June 2012 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 2012 except for 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 standards of the Model Code. The Company also has made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standards of the Model Code and its code of conduct regarding securities transactions by Directors during the six months ended 30 June 2012.

REPURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company did not purchase, sell or redeem any of the Company’s listed securities during the six months ended 30 June 2012.

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

Xi’an, the People’s Republic of China, 3 August 2012

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

Executive directors:	Mr. Wang Cong, Mr. Wang Feng, Mr. Zeng Yinglin, Mr. Yang Xiaohuai and Ms. Tian Lingling
Non-executive directors:	Mr. Gao Peng
Independent non-executive directors:	Mr. Li Gangjian, Mr. Chen Tao, Mr. Zhao Boxiang