



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

2014

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

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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 (the “GEM Listing Rules”) 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 2014, a turnover of RMB25,660,000 was recorded, representing an increase of 0.6% over that for the corresponding period in the previous year.
- For the six months ended 30 June 2014, a profit of approximately RMB5,810,000 was recorded.
- The Directors do not recommend the payment of any dividend for the six months ended 30 June 2014.

FINANCIAL INFORMATION

UNAUDITED 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 six months ended 30 June 2014 and the unaudited comparative figures for the corresponding period in 2013 as follows:

UNAUDITED INCOME STATEMENT

For the six months ended 30 June 2014

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Turnover	2	14,979	15,476	25,659	25,487
Cost of Sales		(10,094)	(10,428)	(17,197)	(17,637)
Gross profit		4,885	5,048	8,462	7,850
Other revenue			3,620		3,620
Distribution costs		(522)	(626)	(769)	(1,211)
Administrative expenses		(1,974)	(1,034)	(4,229)	(3,592)
Operating profit		2,389	7,008	3,464	6,667
Finance costs		16	16	24	29
Other incomes		3,150		3,150	
Profit before taxation		2,373	6,992	3,440	6,696
Taxation	3	(516)	(542)	(826)	(587)
Net profit/(loss)		5,007	6,450	5,764	6,109
Dividend		-	-	-	-
Earnings per share	5	RMB0.0055	RMB0.0072	RMB0.0063	RMB0.0068

BALANCE SHEET

	Note	Unaudited As at 30 June 2014 RMB'000	Audited As at 31 December 2013 RMB'000
Non-current assets			
Property, plant and equipment		15,791	15,302
Land lease premium		7,176	7,038
		<u>22,967</u>	<u>22,340</u>
Current assets			
Inventories		1,342	1,349
Trade and other receivables and prepayments	6	51,940	44,178
Land lease premium		105	210
Due from fellow subsidiaries		-	-
Bank balances – restricted		-	-
Bank balance and cash		52,411	34,426
		<u>105,798</u>	<u>80,163</u>
Current liabilities			
Trade and other payables	7	4,670	461
Due to ultimate holding company		2,820	3,276
Taxation payable		150	5,257
Accruals and other payables		6,163	6,986
		<u>13,804</u>	<u>15,980</u>
Net current assets (liabilities)		91,944	64,183
Net assets		114,911	86,523
Capital and reserves			
Share capital	8	91,000	91,000
Reserves		23,857	44,477
		<u>114,857</u>	<u>86,523</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2014

	Unaudited	
	For the six months	
	ended 30 June	
	2014	2013
	RMB'000	RMB'000
Net cash used in operating activities	12,840	(14,528)
Net cash used in investment activities	-	-
Net cash from financing	-	-
Increase/(decrease) in bank balance and cash	12,840	(14,528)
Bank balance and cash as at 1 January	34,427	27,353
Bank balance and cash as at 30 June	52,411	41,881

NOTES TO THE CONDENSED ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this quarterly accounts are consistent with those used in the annual accounts for the year ended 31 December 2013, with the exception of adoption of the Statements of Standard Accounting Practice (SSAP) No.12 Income Tax (revised) ("SSAP 12 (revised)") issued by the Hong Kong Institute of Certified Public Accountants.

The principal effect of the implementation of SSAP 12 (revised) is on deferred tax. In previous years, no material unprovided deferred tax existed in the relevant periods or on respective balance sheet dates. SSAP 12 (revised) requires the adoption of the balance sheet liability method, whereby deferred tax, with a few exceptions, is recognized in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The adoption of SSAP 12 (revised) has no material effect on the results of the current or prior accounting periods.

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

2. SEGMENTAL INFORMATION

The turnover and results of the Company during the period are analyzed by business segments as follows:

For the six months ended 30 June 2014

	FA-90 and others	Thiol	Total (RMB'000)
Turnover	15,495	10,163	25,658
Cost of sales	(11,232)	(5,964)	(17,196)
Gross profit	4,263	4,199	8,462
Distribution costs			(769)
Administrative expenses			(4,229)
Finance costs			24
Other operating income			3,150
Profit before taxation			3,440
Taxation			(826)
Net profit			5,764

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	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
PRC (note)	<u>516</u>	<u>542</u>	<u>826</u>	<u>587</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 (2013: Nil).

5. EARNINGS PER SHARE

The earnings per share for the three months and six months ended 30 June 2014 are RMB0.0055 and RMB0.0063 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 2014 RMB'000	As at 31 December 2013 RMB'000
Trade receivables	41,872	27,934
Other receivables	<u>3,579</u>	<u>223</u>
	<u>45,451</u>	<u>28,157</u>

7. TRADE PAYABLES AND OTHER PAYABLES

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Trade payables	4,670	461
Other payables	4,393	6,986
Due to ultimate holding company	<u>2,820</u>	<u>2,820</u>
	<u>11,883</u>	<u>10,267</u>

8. SHARE CAPITAL

	As at 30 June 2014		As at 31 December 2013	
	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><u>910,000,000</u></u>	<u><u>91,000</u></u>	<u><u>910,000,000</u></u>	<u><u>91,000</u></u>

9. PLEDGE OF ASSETS

Nil

10. COMMITMENTS

(a) Capital commitments

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Capital expenditure of property, plant and equipment		
– Authorised but not contracted for	–	–
– Contracted for but not yet provided for in the statements	–	–
	<u><u>–</u></u>	<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 2014 (For the six months ended 30 June 2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2014, the unaudited turnover of the Company was RMB25,650,000, representing an increase of 0.6% against that of the corresponding period of the previous year. The unaudited profit for the six months ended 30 June 2014 was RMB5,810,000, which was roughly flat with that of the corresponding period of the previous year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2014, the shareholders' equity of the Company was approximately RMB114,857,000 (31 December 2013: RMB86,523,000); cash and bank balances denominated in Renminbi were approximately RMB52,411,000 (31 December 2013: RMB34,426,000); current assets were about RMB105,798,000 (31 December 2013: RMB80,163,000); and current liabilities were approximately RMB13,804,000 (31 December 2013: RMB15,980,000).

ACQUISITION AND DISPOSAL OF SUBSTANTIAL INVESTMENTS AND SUBSIDIARIES

For the six months ended 30 June 2014, the Company is proceeding with an acquisition of a company which operates distribution business of natural gas in Shaanxi Province (the "Project"). Owing to the changes of a number of conditions during the process of implementing the Project, the Project has been delayed. A number of changes have taken place, including the shareholder structure, the project size and turnover, as well as the management of the of the target company to be acquired. These changes involve changes in issues regarding legal, financial, assets ownership and operating quality, which require completion and optimization measures taken by the target company. It is also necessary for the Company to further negotiate with the target company in terms of the acquisition consideration, process and project completion time. As all the parties are under further communication, the progress of the acquisition is still unclear. The Company is paying close attention to follow up the Project, in order to promote its implementation. The Company has no proposal in respect of disposal of subsidiaries and associates.

In November 2012, the Company entered into a cooperation agreement (the "Agreement") with Xi'an Juyuan Intelligent Electric Appliance Co. Ltd in relation to a joint venture to build natural gas stations in Xi'an. The basic terms of the Agreement are: i) the total investment is RMB15 million. The Company shall invest RMB7 million, representing 56.7% of the shares, and the other party shall invest RMB8 million, representing 53.3% of the shares; ii) after the completion of the gas stations, the Company may at any time acquire shares from the other party to become a controlling shareholder; iii) the other party shall be responsible for the establishment of the joint venture company and all the approval procedures in relation to the construction of the gas stations; iv) The bank account of the joint venture shall be established and managed jointly by both parties. Since the above-mentioned

acquisition was postponed, the Agreement is currently suspended and will resume as soon as circumstances permit. According to the provision of GEM Listing Rule 19.34, the Company was required to disclose the transaction through an announcement after the agreement was signed. Because an error was made by the relevant staff in calculating the consideration ratio which constituted a violation of the GEM Listing Rule 19.34, there was no public announcement of the Agreement. Accordingly, the Agreement is disclosed specially in this interim report as a supplemental announcement.

CAPITAL COMMITMENTS

Disclosed in Note 10 to the condensed interim results.

GEARING RATIO

The gearing ratio as at 30 June 2014 (calculated as the ratio of total loan to net assets) was 0% (31 December 2013: 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 2014, there were no significant contingent liabilities.

BUSINESS DEVELOPMENT

As at 30 June 2014, the Company concentrated its effort on the sales of FA-90 and thiol products with sales revenue of RMB15,495,000 and RMB10,163,000 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 2014, 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 securities during the same period	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%
Wang Feng	Beneficial owner	2,000,000	0.29%	0.22%
Zeng Yinglin	Beneficial owner	2,000,000	0.29%	0.22%
Zheng Rongfang	Beneficial owner	2,000,000	0.29%	0.22%
Guo Qiubao	Beneficial owner	2,000,000	0.29%	0.22%
Wang Zheng	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 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 2014.

DISCLOSURES UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, 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 securities during the same period	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 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 of the Company dated 23 June 2003. The decision whether to continue with a share option scheme will be made according to the resolutions of the general meeting of the Company. There were no plan to grant share options as at the date of this report.

COMPETING INTEREST

None of the Directors, controlling shareholder (as defined under the GEM Listing Rules) and substantial shareholder (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 5.23 and 5.24 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. Before 12 August 2014, 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. Due to the resignation of Mr. Gao Peng and Mr. Chen Tao as directors of the Company on 12 August 2014, the audit committee currently comprises three independent non-executive directors, namely Mr. Li Gangjian, Mr. Zhao Boxiang and Prof. Zhao Xiaoning. Mr. Li Gangjian is the chairman of the audit committee.

The unaudited interim results for the six months ended 30 June 2014 have been reviewed by the audit committee.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions in the Corporate Governance Code (the “Code”) as set out in Appendix 15 of the GEM Listing Rules during the six months ended 30 June 2014, except for the deviation disclosed below.

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 in 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 in the Model Code and its code of conduct regarding securities transactions by Directors during the six months ended 30 June 2014.

REPURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company did not purchase, sell or redeem any of the listed securities of the Company during the six months ended 30 June 2014.

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

Xi'an, the People's Republic of China, 14 August 2014

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

Executive Directors:	Mr. Wang Cong, Mr. Wang Feng, Mr. Yang Xiaohuai and Ms. Tian Lingling
Independent non-executive Directors:	Mr. Li Gangjian, Mr. Zhao Boxiang and Prof. Zhao Xiaoning