



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
2017

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

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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.

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 2017, a turnover of RMB14,630,000 was recorded, representing a decrease of approximately 12% over RMB16,540,000 for the corresponding period in the previous year.
- For the six months ended 30 June 2017, a profit of approximately RMB2,420,000 was recorded, representing a decrease of approximately 26% over that for the corresponding period in the previous year.
- The Directors do not recommend the payment of any dividend for the six months ended 30 June 2017.

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 2017 and the unaudited comparative figures for the corresponding period in 2016 as follows:

UNAUDITED INCOME STATEMENT

For the six months ended 30 June 2017

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Turnover	2	8,619	9,631	14,627	16,545
Cost of Sales		(5,836)	(6,315)	(9,984)	(10,747)
Gross profit		2,783	3,316	4,643	5,798
Other revenue					
Distribution costs		(584)	(464)	(655)	(558)
Administrative expenses		(499)	(582)	(1,031)	(1,316)
Operating profit		1,700	2,270	2,957	3,924
Finance costs		0	15	12	25
Other income		-	-	-	-
Profit before taxation		1,700	2,285	2,969	3,949
Taxation	3	(304)	(373)	(547)	(674)
Net profit (loss)		1,396	1,912	2,422	3,275
Dividend		-	-	-	-
Earnings per share	5	RMB0.0013	RMB0.0020	RMB0.0023	RMB0.0034

BALANCE SHEET

	Notes	Unaudited As at 30 June 2017 RMB'000	Audited As at 31 December 2016 RMB'000
Non-current assets			
Property, plant and equipment		11,189	11,628
Available-for-sale financial assets		14,260	14,260
Land lease premium		6,303	6,408
		31,752	32,296
Current assets			
Inventories		354	1,119
Trade and other receivables and prepayments	6	44,612	52,281
Land lease premium		105	210
Due from fellow subsidiaries		-	-
Bank balance – restricted		52,963	43,858
Bank balance and cash		98,034	97,468
Current liabilities			
Trade and other payables	7	410	410
Due to ultimate holding company		3,447	3,447
Taxation payable		2,719	4,992
Accruals and other payables		9,318	9,445
		15,894	18,294
Net current assets (liabilities)		82,140	79,147
Net assets		113,892	111,470
Capital and reserves			
Share capital		101,100	101,100
Reserves		12,792	10,370
		113,892	111,470

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2017

	Unaudited	
	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Net cash used in operating activities	9,105	3,891
Net cash used in investing activities	–	–
Net cash from financing	–	–
Increase/(decrease) in bank balance and cash	9,105	3,891
Bank balance and cash as at 1 January	43,858	41,883
Bank balance and cash as at 30 June	52,963	45,774

NOTES TO THE CONDENSED INTERIM 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 2016, 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 2017

	FA-90 RMB'000	Thiol RMB'000	Total RMB'000
Turnover	9,035	5,592	14,627
Cost of sales	<u>(6,536)</u>	<u>(3,448)</u>	<u>(9,984)</u>
Gross profit	2,499	2,144	4,643
Distribution costs			(655)
Administrative expenses			(1,031)
Finance costs			12
Other operating income			<u>-</u>
Profit before taxation			2,969
Taxation			<u>(547)</u>
Net profit			<u><u>2,422</u></u>

3. TAXATION

Taxes charged from the profit or loss are as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
PRC (Note)	304	373	547	674

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 (2016: Nil).

5. EARNINGS PER SHARE

The earnings per share for the three months and six months ended 30 June 2017 are RMB0.0013 and RMB0.0020 per share respectively.

Calculations are based on the total share capital of 1,011,000,000 shares.

6. TRADE RECEIVABLES AND OTHER RECEIVABLES

	As at	As at
	30 June 2017	31 December 2016
	RMB'000	RMB'000
Trade receivables	31,503	36,592
Other receivables	453	448
	31,956	37,040

7. TRADE PAYABLES AND OTHER PAYABLES

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Trade payables	410	410
Other payables	9,318	9,445
Due to ultimate holding company	3,447	3,447
	<u>13,175</u>	<u>13,302</u>

8. SHARE CAPITAL

	As at 30 June 2017		As at 31 December 2016	
	Number of shares	RMB'000	Number of shares	RMB'000
Authorised ordinary shares of nominal value of RMB0.1 each	<u>1,011,000,000</u>	<u>101,100</u>	1,011,000,000	101,100
Issued and fully paid at the end of the period	<u>1,011,000,000</u>	<u>101,100</u>	<u>1,011,000,000</u>	<u>101,100</u>

9. PLEDGE OF ASSETS

Nil.

10. COMMITMENTS

(a) Capital commitments

	As at 30 June 2017 RMB'000	As at 31 December 2016 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>

11. SUBSEQUENT EVENTS

Taxation

Taxes in respect of profit derived in the PRC are provided at the applicable rate in the PRC (15%) 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 2017 (For the six months ended 30 June 2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2017, the unaudited turnover of the Company was RMB14,630,000, representing a decrease of approximately 12% over that for the corresponding period of the previous year. The unaudited profit for the six months ended 30 June 2017 was RMB2,420,000, representing a decrease of approximately 26% over that for the corresponding period of the previous year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2017, the shareholders' equity of the Company was approximately RMB113,892,000 (31 December 2016: RMB111,470,000); cash and bank balance denominated in Renminbi were approximately RMB52,963,000 (31 December 2016: RMB43,859,000); current assets were approximately RMB98,034,000 (31 December 2016: RMB97,468,000); and current liabilities were approximately RMB15,894,000 (31 December 2016: RMB18,294,000).

ACQUISITION AND DISPOSAL OF SUBSTANTIAL INVESTMENTS AND SUBSIDIARIES

As at 30 June 2017, the Company had no substantial investment, acquisition or disposals.

CAPITAL COMMITMENTS

Disclosed in Note 10 to the condensed interim results.

GEARING RATIO

The gearing ratio of the Company as at 30 June 2017 (calculated as the ratio of total loans to net assets) was 0% (31 December 2016: 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 settled in Renminbi.

CONTINGENT LIABILITY

As at 30 June 2017, the Company had no significant contingent liabilities.

BUSINESS DEVELOPMENT

As at 30 June 2017, the Company concentrated its effort on the sales of FA-90 and thiol products with sales revenue of RMB9,040,000 and RMB5,590,000 respectively, representing a decrease of approximately 12% as compared with that for the corresponding period of 2016. As the Company's existing businesses were unable to fulfill the requirement for its development, the management has been paying close attention to explore new business fields which may become new drivers for its business growth, and strive for a sustainable business growth for the Company in the future.

OTHER INFORMATION

INTERESTS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS IN SHARES

As at 30 June 2017, 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%	60.29%
Wang Feng	Beneficial owner	2,000,000	0.29%	0.20%
Zeng Yinglin	Beneficial owner	2,000,000	0.29%	0.20%
Zheng Rongfang	Beneficial owner	2,000,000	0.29%	0.20%
Guo Qiubao	Beneficial owner	2,000,000	0.29%	0.20%
Wang Zheng	Beneficial owner	2,000,000	0.29%	0.20%
Yan Buqiang	Beneficial owner	2,000,000	0.29%	0.20%

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 2017.

DISCLOSURES UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2017, the persons (other than the 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 (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%	60.29%
Shaanxi Jing Dian Investment Company Limited ("Jing Dian Investment")	Beneficial owner	58,500,000	8.60%	5.77%
Ding Xianguang (Note)	Interest of controlled corporation	58,500,000	8.60%	5.77%
Zhang Jianming (Note)	Interest of controlled corporation	58,500,000	8.60%	5.77%

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.

INTERESTS IN H SHARES OF THE COMPANY (LONG POSITIONS)

Name	Capacity	Number of H shares	Approximate shareholding percentage in all H shares in issue	Approximate shareholding percentage in the entire issued share capital of the Company
Wang Zhen	Beneficial owner	55,000,000	16.61%	5.44%

SHARE OPTION SCHEME

The major terms and conditions of the share option scheme, which has been conditionally adopted by the Company, are set out in the section headed “Share Option Scheme” in Appendix VI to the prospectus of the Company dated 23 June 2003. There was no plan to grant share options as at the date of this report.

COMPETING INTEREST

During the year ended 31 December 2016, none of the Directors, supervisors of the Company and their respective connected persons (as defined under the GEM Listing Rules) had any interest in businesses which compete or may compete with the business of the Company.

AUDIT COMMITTEE

The Company has established an audit committee and formulated its written terms of reference on 6 July 2002 in compliance with Rule 5.28 of the GEM Listing Rules. The Audit Committee comprises three members, each an independent non-executive Director. Mr. Li Gangjian is the chairman of the Audit Committee, and Mr. Zhao Boxiang and Mr. Zhao Xiaoning are members of the Audit Committee.

The Audit Committee is responsible for reviewing the accounting policies and practice adopted by the Group, reviewing and discussing financial reporting, internal control and audit matters, performing other functions delegated by the Board, reporting to the Board after holding meetings on the foregoing matters and the meeting results, and advising the Board on dealing with operation risk. The unaudited financial results of the Group for the six months ended 30 June 2017 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 to the GEM Listing Rules throughout the six months ended 30 June 2017, 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 has been holding the offices of Chairman and president of the Company. 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 is 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 2017.

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 2017.

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 2017

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

Executive directors:

Mr. Wang Cong, Mr. Wang Feng, Mr. Feng Tuo and Ms. Tian Lingling

Non-executive director:

Mr. Wang Zhe

Independent non-executive Directors:

Mr. Li Gangjian, Mr. Zhao Boxiang and Prof. Zhao Xiaoning