



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)

2020 INTERIM REPORT

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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.

CONTENTS

3	Summary
4	Financial Information
10	Management Discussion and Analysis
12	Other Information

SUMMARY

- For the six months ended 30 June 2020, the turnover was RMB9,224,000, representing a decrease of approximately 48% over that of RMB17,875,000 for the corresponding period in the previous year.
- For the six months ended 30 June 2020, the profit was RMB2,713,000, representing a decrease of approximately 24.9% 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 2020.

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 2020 and the unaudited comparative figures for the corresponding period in 2019 as follows:

UNAUDITED INCOME STATEMENT

For the six months ended 30 June 2020

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Turnover	2	5,840	10,634	9,224	17,875
Cost of sales		4,179	(7,001)	6,597	(11,915)
Gross profit		1,661	3,633	2,627	5,960
Other Profit		1,500	487	2,362	487
Distribution costs		(448)	(533)	(629)	(854)
Administrative expenses		(643)	(469)	(1,121)	(1,250)
Operating profit		2,070	3,118	3,239	4,343
Finance costs		40	–	39	–
Other incomes		–	–	–	–
Profit before taxation		2,110	2,670	3,278	4,401
Taxation	3	(369)	(466)	(565)	(789)
Net profit (loss)		1,742	2,204	2,713	3,612
Dividend		1,742	2,204	2,713	3,612
Earnings per share	5	RMB 0.0013	RMB 0.0017	RMB 0.0021	RMB 0.0028

BALANCE SHEET

		Unaudited 30 June 2020	Unaudited 31 December 2019
	Notes	RMB'000	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		10,376	10,108
Available-for-sale financial assets		15,996	15,996
Land lease premium		5,988	5,988
		32,360	32,092
Current assets			
Inventories		1,381	6,922
Trade and other receivables and prepayments	6	96,261	108,965
Land lease premium		210	210
Amounts due from fellow subsidiaries		-	-
Bank balance – restricted		-	-
Bank balances and cash		43,613	36,723
		141,414	152,280
Current liabilities			
Trade and other payables	7	546	546
Amount due to the ultimate holding company		3,096	3,096
Tax payables		1,321	241
Accrued expenses and other payables		12,798	12,798
		17,761	16,681
Net current assets (liabilities)		123,703	136,139
Net assets		156,063	168,231
Capital and reserves			
Share capital		130,500	130,500
Reserves		25,563	37,731
		156,063	168,231

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2020

	Unaudited	
	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Net cash used in operating activities	6,881	23,052
Net cash used in investing activities	-	-
Net cash for financing	-	-
Increase/(decrease) in bank balances and cash		
Bank balances and cash on 1 January	36,723	40,741
Bank balances and cash on 30 June	43,613	63,793

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 2018, 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 un-provided deferred tax existed in the relevant periods or as at 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 2020

	FA-90 RMB'000	Thiol RMB'000	Total RMB'000
Turnover	6,112	3,112	9,224
Cost of sales	4,448	2,149	6,597
Gross profit	1,664	962	2,627
Distribution costs			(629)
Administrative expenses			(1,121)
Finance costs			39
Other operating income			2,362
Profit before taxation			3,278
Taxation			565
Net profit			2,713

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	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PRC (note)	368	466	564	789

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 (In 2019: Nil).

5. EARNINGS PER SHARE

The earnings per share for the three months and six months ended 30 June 2020 are RMB0.0013 and RMB0.0021 per share respectively.

Calculations are based on the total share capital of 1,305,000,000 shares.

6. TRADE RECEIVABLES AND OTHER RECEIVABLES

	Unaudited	
	As at 30 June 2020 <i>RMB'000</i>	As at 31 December 2019 <i>RMB'000</i>
	Trade receivables	16,768
Other receivables	1,695	87,843
	18,463	108,965

7. TRADE PAYABLES AND OTHER PAYABLES

	Unaudited	
	As at 30 June 2020 <i>RMB'000</i>	As at 31 December 2019 <i>RMB'000</i>
	Trade payables	546
Other payables	12,790	12,798
Amounts due to ultimate holding company	3,096	3,096
	16,432	16,440

8. SHARE CAPITAL

	As at 30 June 2020		As at 31 December 2019	
	Number of shares	RMB'000	Number of shares	RMB'000
Authorised ordinary shares of nominal value of RMB0.1 each	1,305,000,000	130,500	1,305,000,000	130,500
Issued and fully paid at the end of the period	<u>1,305,000,000</u>	<u>130,500</u>	<u>1,305,000,000</u>	<u>130,500</u>

9. PLEDGE OF ASSETS

Nil

10. COMMITMENTS

(a) Capital commitments

	As at 30 June 2020 RMB'000	As at 31 December 2019 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 estimated 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 2020 (For the six months ended 30 June 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2020, the unaudited turnover of the Company was RMB9,224,000, representing a decrease of 48% over that for the corresponding period of the previous year. The unaudited profit for the six months ended 30 June 2020 was RMB2,713,000, representing a decrease of 24.9% over that for the corresponding period of the previous year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2020, the equity attributable to Shareholders of the Company was approximately RMB156,063,000 (31 December 2019: RMB168,231,000); cash and bank balance denominated in Renminbi were approximately RMB43,613,000 (31 December 2019: RMB36,723,000); and current assets amounted to approximately RMB123,703,000 (31 December 2019: RMB152,820,000). Current liabilities amounted to approximately RMB17,761,000 (31 December 2019: RMB16,681,000).

ACQUISITION AND DISPOSAL OF SUBSTANTIAL INVESTMENTS AND SUBSIDIARIES

As at 30 June 2020, 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 2020 (calculated as the ratio of total loans to net assets) was 0% (31 December 2019: 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 2020, the Company had no significant contingent liabilities.

IMPACT OF THE COVID-19 PANDEMIC ON THE COMPANY'S BUSINESS AND FUTURE BUSINESS DEVELOPMENT

Since January 2020, comprehensive quarantine measures such as suspension of work and production and travel restrictions have been adopted nationwide due to the outbreak of the COVID-19 pandemic. Also, the Company's product production and business activities have been suspended from the end of January 2020 until the end of March when some non-production departments and positions gradually resumed work. However, most of the front-line production workers could not return to work on time because they live in other places, and most of the upstream enterprises of the Company have not resumed work and production in time. As a result, the Company could not resume normal production of products. The suspension period lasted more than four months, during which the Company only tried its best to sell the products in stock which were produced in previous periods. As at the end of June 2020, revenue from the main business of the Company decreased by approximately RMB8,651,000 as compared to that for the corresponding period of the previous year and profit of the main business decreased by approximately RMB899,000 year-on-year. In order to minimize the losses caused by the pandemic, the Company expanded channels through other ways to generate certain non-operating revenue, which enabled the Company to record gains despite such extremely difficult external environment in the first half of the year.

At present, the Company is most adversely affected by the COVID-19 pandemic because of prolonged production shutdown, so that its front-line production workers cannot return to work on time and carry out maintenance and overhaul of production equipment, leading to serious corrosion of some key equipment and production pipelines. In addition, it has been more than 15 years since the entire production line was completed and put into production. Although most of the equipment have been continuously updated, they have basically reached the service life of the equipment, which requires a large-scale transformation of the entire production line (including plant and infrastructure). Nowadays, the Board of the Company would take this opportunity to conduct full research and discussion based on adjustments to the development strategies and ideas of the Company for the recent two years, given comprehensive consideration of various factors such as government's approval of projects, environmental protection approval, investment arrangement involved in the large-scale transformation of production line, in particular, the development prospects of original products and industries, and the assessment on the Company's profitability in future. On top of the above, the Company will make a final decision as soon as possible after fully taking the opinions of all parties. Therefore, the Company's main business will be temporarily suspended in the near future. The Company will, nevertheless, try its best to expand new business channels and increase its revenue as much as possible during the outage of the original business.

The Board believes that through this round of discussion and modification of the Company's main business and future development plans, it will at no doubt bring new development opportunities to the Company, allow its development to enter a new stage and step on a new level, thus creating greater returns for our shareholders.

OTHER INFORMATION

INTERESTS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS IN SHARES

As at 30 June 2020, 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 Model Code for securities transactions 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	62.58%	46.71%
Wang Feng	Beneficially owned	2,000,000	0.205%	0.15%
Zeng Yinglin	Beneficially owned	2,000,000	0.205%	0.15%
Zheng Rongfang	Beneficially owned	2,000,000	0.205%	0.15%
Guo Qiubao	Beneficially owned	2,000,000	0.205%	0.15%
Wang Zheng	Beneficially owned	2,000,000	0.205%	0.15%
Yan Buqiang	Beneficially owned	2,000,000	0.205%	0.15%
Ding Meihua	Beneficially owned	76,280,000	7.83%	5.85%
Zhang Gangming	Beneficially owned	81,720,000	8.39%	6.26%

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 2020.

DISCLOSURES UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2020, 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	Beneficially owned	609,500,000	62.58%	46.71%
Xi'an Heyue Property Management Limited	Beneficially owned	136,000,000	13.96%	10.42%
Shaanxi Jing Dian Investment Company Limited ("Jing Dian Investment")	Beneficially owned	58,500,000	6.0%	4.5%
Ding Xianguang (Note)	Interest of controlled corporation	58,500,000	6.0%	4.5%
Zhang Jianming (Note)	Interest of controlled corporation	58,500,000	6.0%	4.5%

Note: As each of Ding Xianguang and Zhang Jianming was beneficially interested in 40% of the equity interest in Jing Dian Investment, they are deemed to be interested in 58,500,000 domestic shares respectively 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 (shares)	Approximate shareholding percentage in the total issued H shares	Approximate shareholding percentage in the total issued share capital of the Company
WANG ZHEN	Beneficially owned	55,000,000	16.61%	4.2%

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 of the date of this report.

COMPETING INTEREST

For the year ended 31 December 2019, 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 established the Audit Committee with 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, all of which are independent non-executive Directors. Mr. Li Gangjian is the chairman of the Audit Committee, and Mr. Zhao Boxiang and Ms. Zhao Xiaoning are members of the Audit Committee.

The Audit Committee is responsible for reviewing the accounting policies and practices 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 concerning the foregoing matters on its work, the meeting results, its advices and the operating risk faced by the Group. The unaudited financial results of the Group for the six months ended 30 June 2020 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 2020, 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 has also 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 2020.

REPURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company did not repurchase, sell or redeem any of the listed securities of the Company during the six months ended 30 June 2020.

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 2020

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

Executive Directors:

Mr. Wang Cong, Mr. Wang Feng, Mr. Zhou Jian and Ms. Tian Lingling

Non-executive Director:

Ms. Shi Dandan

Independent non-executive Directors:

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

This report will remain on the "Latest Company Announcements" page on the website of GEM for at least seven days from the date of its publication.