



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)



2004 First Quarterly Report

* for identification purposes only

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GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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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 three months ended 31 March 2004, the turnover was approximately RMB16,400,000, representing an increase of 10% over the same period of last year;
- For the three months ended 31 March 2004, the net profit was approximately RMB3,350,000, representing an increase of 21% over the same period of last year;
- The Directors do not recommend the payment of any dividend for the three months ended 31 March 2004.

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 three months ended 31 March 2004 and the comparative unaudited figures for the corresponding period in 2003 as follows:

Unaudited Profit and Loss Account

		For the three months ended 31 March	
	Note	2004 RMB'000	2003 RMB'000
Turnover	2	16,397	14,891
Cost of sales	2	(8,493)	(7,430)
Gross profit		7,904	7,461
Other operating income		87	217
Distribution costs		(503)	(512)
Administrative expenses		(2,650)	(2,363)
Profit from operation		4,838	4,803
Financial costs		(896)	(1,542)
Profit before taxation		3,942	3,261
Taxation	3	(591)	(489)
Net profit		3,351	2,772
Dividend		—	—
Earnings per share	4	RMB0.004	RMB0.004

Notes to Condensed Accounts

1. Basis of Presentation and Accounting Policies

The principal accounting policies and calculation method adopted in the preparation of this quarterly accounts are consistent with those adopted in the annual accounts for the year ended 31 December 2003 except for the adoption of the Statement of Standard Accounting Practice No. 12 “Income taxes” (Revised) (“SSAP 12 (Revised)”) issued by the Hong Kong Society of Accountants.

The principal effect of implementing SSAP 12 (Revised) is in relation to deferred tax. In previous years, there was no significant unprovided deferred tax in respect of the relevant period or as at the respective balance sheet dates. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has had no significant effect on the results for 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 in terms of business segments as follows:

For the three months ended 31 March 2004

	FA-90 (RMB'000)	FA-D (RMB'000)	FA-J (RMB'000)	Ferrocene (RMB'000)	2-ethylhexyl thioglycolate (RMB'000)	Total (RMB'000)
Turnover	13,354	303	46	1	2,693	16,397
Cost of sales	(6,547)	(248)	(37)	(1)	(1,660)	(8,493)
Gross profit	6,807	55	9	0	1,033	7,904
Distribution costs						(503)
Administrative expenses						(2,650)
Financial costs						(896)
Other operating income						87
Profit before taxation						3,942
Taxation						(591)
Net profit						3,351

For the three months ended 31 March 2003

	FA-90 (RMB'000)	FA-D (RMB'000)	FA-J (RMB'000)	Ferrocene (RMB'000)	Others (RMB'000)	Total (RMB'000)
Turnover	14,736	3	94	25	33	14,891
Cost of sales	(7,287)	(2)	(92)	(23)	(26)	(7,430)
Gross profit	7,449	1	2	2	7	7,461
Distribution costs						(512)
Administrative expenses						(2,363)
Financial costs						(1,542)
Other operating income						217
Profit before taxation						3,261
Taxation						(489)
Net profit						2,772

3. Taxation

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

	For the three months ended 31 March	
	2004	2003
	RMB'000	RMB'000
PRC (Note)	(591)	(489)

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 of 15% in the PRC.

4. Earnings per share

Earnings per share is calculated as follows:

	For the three months ended 31 March	
	2004	2003
	RMB	RMB
Net profit for the period	3,351,000	2,772,000
Weighted average number of ordinary shares for the purpose of basic earnings per share	910,000,000	680,000,000

No diluted earnings per share has been presented as there were no potential diluted shares for the three months ended 31 March 2004 and 31 March 2003.

5. Share Capital

	Number of shares		Registered, issued and fully paid
	Domestic shares	H shares	RMB
Ordinary shares of RMB 0.10 each			
At 1 January 2004 and at 31 March 2004	680,000,000	230,000,000	91,000,000

6. Movements of reserve

	Fully paid share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Statutory welfare reserve RMB'000	Accumulated profit RMB'000	As at 31 March 2004 RMB'000	As at 31 December 2003 RMB'000
At the beginning of the period	91,000	25,880	6,367	3,183	33,904	160,334	98,399
Profit for the period	—	—	—	—	3,351	3,351	18,792
New issue	—	—	—	—	—	—	46,543
Dividend paid for year 2002	—	—	—	—	—	—	(3,400)
At the end of the period	91,000	25,880	6,367	3,183	37,255	163,685	160,334

7. Pledge of assets

Bank	Loan amount (RMB'000)	Status of pledges
Bank of Communications	20,000	Pledge over the land use right of the Technology Park of the Company
China Merchants Bank	20,000	Pledge over the construction project of the Technology Park of the Company
China Merchants Bank	10,000	Pledge over the construction project of the Technology Park of the Company

8. Commitments

(a) Capital commitments

	For the three months ended 31 March	
	2004	2003
	RMB'000	RMB'000
Capital expenses of property, plant and equipment		
Authorised but not contracted for	—	—
Contracted for but not provided for in the financial statements	3,693	10,899

(b) Operating lease commitments

At 31 March 2004, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	For the three months ended 31 March	
	2004	2003
	Production plants and office buildings RMB'000	Production plants and office buildings RMB'000
Within 1 year	345	366
After 1 year but not more than 5 years	1,240	1,560
After 5 years	109	542

9. Dividend

The Directors do not recommend the payment of any dividend for the three months ended 31 March 2004 (For the three months ended 31 March 2003: Nil).

Management Discussion and Analysis

Financial Review

For the three months ended 31 March 2004, the unaudited turnover was approximately RMB16,400,000, representing an increase of 10% over the same period of last year. For the three months ended 31 March 2004, the unaudited net profit was approximately RMB3,350,000, representing an increase of 21% over the same period of last year. The gross profit margin was 48%, as compared to the 50% of last year. The growth of net profit was mainly due to (1) the production of 2-ethylhexyl thioglycolate was commenced, which increased sales profit; and (2) the financial cost and distribution cost were comparatively lower.

Review of Business Objectives

As at 31 March 2004, the Company has obtained the following achievements:

Business development:

For the three months ended 31 March 2004, the Company concentrated its effort on the production and sales of the unlead gasoline additive FA-90. Sales revenue was approximately RMB13,350,000, representing a decrease of 9% over the same period of last year.

Products and production:

For the three months ended 31 March 2004, the Company produced 124 tonnes of 2-ethylhexyl thioglycolate. The Company has already sold 178 tonnes and generated sales revenue of RMB2,690,000 approximately.

Other Information

Directors', Chief Executives' and Supervisors' interests in shares

As at 31 March 2004, the Directors, chief executives or supervisors have the following interests or short positions 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")) (a) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO); or (b) which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) which will be required to notify to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by directors:

Long position in shares

Name	Company/name of associated corporation	Capacity	Number and class of securities	Shareholding percentage in the same class of securities
Wang Cong (Note 1)	Company	Interest of controlled corporation	548,000,000 domestic shares	80.59%
Wang Cong (Note 2)	Xian Tian Cheng Environmental Company ("Tian Cheng Environmental")	Interest of controlled corporation	13,745,480 ordinary shares	98.18%
Wong Zheng	Company	Beneficial Owner	2,000,000 domestic shares	0.29%
Guo Qiubao	Company	Beneficial owner	2,000,000 domestic shares	0.29%
Zheng Rongfang	Company	Beneficial owner	2,000,000 domestic shares	0.29%
Wong Feng	Company	Beneficial owner	2,000,000 domestic shares	0.29%
Zeng Yinglin	Company	Beneficial owner	2,000,000 domestic shares	0.29%
Yan Buqiang	Company	Beneficial owner	2,000,000 domestic shares	0.29%

Note:

1. The 548,000,000 domestic shares are held by Xian Northwest Industry (Group) Company Limited (formerly known as “Xian Fan Sen Property Development Company Limited” (“Northwest Group”)), which is beneficially owned as to 98% by Wang Cong. Wang Cong is deemed to be interested in 548,000,000 domestic shares.
2. Tian Cheng Environmental is a 98% owned subsidiary of Northwest Group, the holding company of the Company, and is thus an associated corporation of the Company.


Directors’ Chief Executives’ and Supervisors’ interest in underlying shares under equity derivatives

Save as disclosed above, for the three months ended 31 March 2004, no directors, chief executives or supervisors have been granted any rights to subscribe H shares of the Company.

Interest discloseable pursuant to the SFO & Substantial Shareholders

Save as disclosed below, none of the Directors and chief executives, as at 31 March 2004, is aware of any person who has any interests or short positions in any shares or underlying shares which will be required to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO, or to be recorded pursuant to section 336 of the SFO in the register referred to therein:

Name	Capacity	Number of domestic shares	Percentage of shareholding
Northwest Group	Beneficial owner	548,000,000 shares	60.22%
Shaanxi Jing Ding Investment Company Limited (“Jing Ding Investment”)	Beneficial owner	120,000,000 shares	13.19%
Ding Xianguang (<i>Note</i>)	Interest of controlled corporation	120,000,000 shares	13.19%
Zhang Jianming (<i>Note</i>)	Interest of controlled corporation	120,000,000 shares	13.19%



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 120,000,000 domestic shares under the provisions of Divisions 2 and 3 of Part XV of SFO.

Share Option Scheme

The Company has conditionally adopted a share option scheme. For major terms and conditions of the share option scheme, please refer to the section headed “Share option scheme” in Appendix 6 of the Prospectus. As at 31 March 2004, no share option has been granted under the share option scheme.

Competing Interest

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

Sponsor's Interest

As at 31 March 2004, as notified and updated by Core Pacific-Yamaichi Capital Limited (“CPY Capital”), Core Pacific-Yamaichi International (H.K.) Limited (“CPYI”) and a spouse of a director of CPYI, associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) of CPY Capital, respectively held 9,000,000 and 2,900,000 shares in the Company; and an account executive of Core Pacific Yamaichi Securities (H.K.) Limited, an associate of CPY Capital, held 540,000 shares in the Company. Save as disclosed herein, neither CPY Capital nor its directors or employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the share capital of the Company as at 31 March 2004.

Pursuant to the sponsor agreement dated 23 June 2003 entered into between CPY Capital and the Company, CPY Capital received fees for acting as the Company’s sponsor for the period from 3 July 2003 up to 31 December 2005 or until the sponsor agreement is terminated upon the terms and conditions set out therein.

Audit Committee

The Company has established an audit committee on 6 July 2002 with written terms of reference in compliance with Rules 5.23 to 5.25 of the then 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. The audit committee comprises two independent non-executive Directors, Mr. Li Gangjian and Mr. Hu Yangxiang and one executive Director, Ms. Zheng Rongfang. Mr. Hu Yangxiang is the chairman of the audit committee.

Board Practices & Procedures

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the then GEM Listing Rules during the three months ended 31 March 2004.

Repurchase, sale or redemption of listed securities of the company

The Company did not purchase, sell or redeem any of the Company's listed securities during the three months ended 31 March 2004.

By order of the Board

Shaanxi Northwest New Technology Industry Company Limited

Wong Cong

Chairman

Xi'an, the People's Republic of China, 12 May 2004