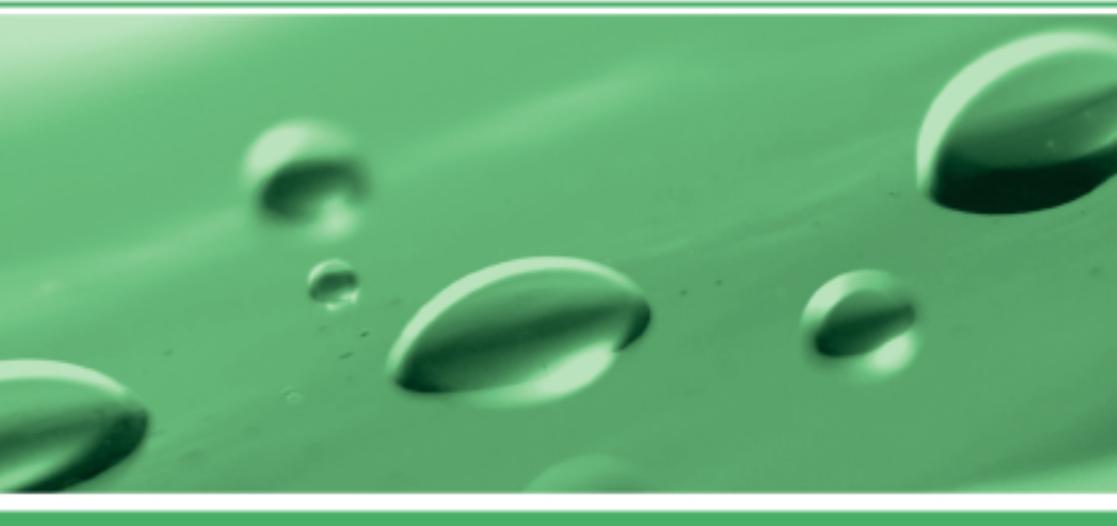




陝西西北新技術實業股份有限公司

SHAANXI NORTHWEST NEW TECHNOLOGY INDUSTRY COMPANY LIMITED\*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)



2004 Interim Report

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

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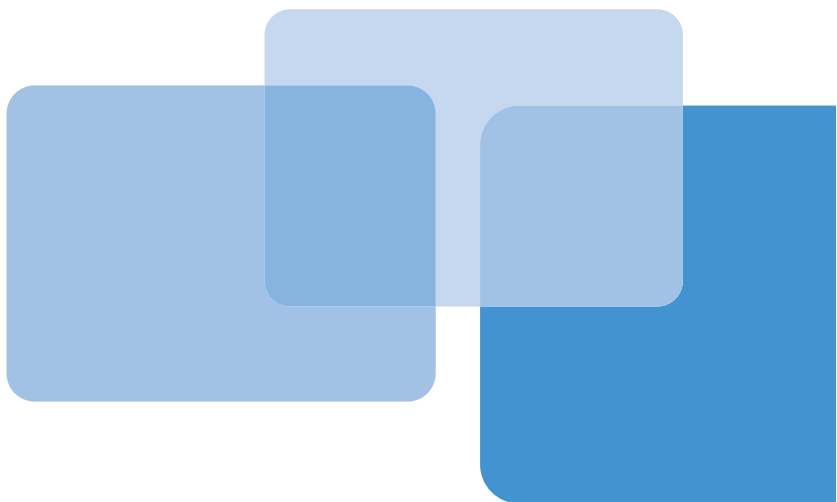
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*This report, for which the directors (the “Directors”) of Shaanxi Northwest New Technology Industry Company Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing 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 2004, the turnover of the Company was approximately RMB35,202,000, representing a decrease of 9% over the same period of last year;
- For the six months ended 30 June 2004, the net profit of the Company was approximately RMB8,123,000, representing a decrease of 3% over the same period of last year;
- The Directors do not recommend the payment of any dividend for the three months ended 30 June 2004.

## Interim Results

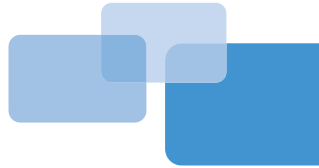
The board of Directors (the “Board”) of Shaanxi Northwest New Technology Industry Company Limited\* (the “Company”) hereby announces the unaudited operating results of the Company for the three months and six months ended 30 June 2004 and the comparative unaudited figures for the corresponding periods in 2003 as follows:

### Unaudited Profit and Loss Account

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2004	2003	2004	2003
		RMB'000	RMB'000	RMB'000	RMB'000
Turnover	2	<b>18,805</b>	23,989	<b>35,202</b>	38,880
Cost of sales		<b>(9,722)</b>	(13,237)	<b>(18,215)</b>	(20,666)
Gross profit		<b>9,083</b>	10,752	<b>16,987</b>	18,214
Other operating income		<b>108</b>	89	<b>195</b>	306
Distribution costs		<b>(579)</b>	(742)	<b>(1,082)</b>	(1,254)
Administrative expenses		<b>(2,224)</b>	(2,513)	<b>(4,874)</b>	(4,876)
Profit from operation		<b>6,388</b>	7,586	<b>11,226</b>	12,390
Finance costs		<b>(774)</b>	(942)	<b>(1,670)</b>	(2,484)
Profit before taxation		<b>5,614</b>	6,644	<b>9,556</b>	9,906
Taxation	3	<b>(842)</b>	(1,023)	<b>(1,433)</b>	(1,512)
Net profit		<b>4,772</b>	5,621	<b>8,123</b>	8,394
<b>Dividend</b>	4	—	—	—	—
Earnings per share	5	<b>RMB0.005</b>	RMB0.008	<b>RMB0.009</b>	RMB0.012

## Balance Sheets

		As at 30 June 2004 Unaudited RMB'000	As at 31 December 2003 Audited RMB'000
	Note		
<b>Non-current Assets</b>			
Property, Plant and equipment	6	89,475	83,954
Intangible Assets	7	26,946	28,717
		<b>116,421</b>	112,671
<b>Current Assets</b>			
Inventories		6,002	7,361
Trade receivables, other receivables and prepayments	8	19,261	17,091
Bills receivable		300	640
Bank balances and cash		103,883	104,876
		<b>129,446</b>	129,968
<b>Current liabilities</b>			
Trade payable, other payables and accruals	9	16,212	22,409
Dividends payable		3,395	—
Taxation payable		5,578	5,396
Bank borrowings		54,500	54,500
		<b>79,685</b>	82,305



**Balance Sheets**

		<b>As at 30 June 2004 Unaudited RMB'000</b>	<b>As at 31 December 2003 Audited RMB'000</b>
	Note		
<hr/>			
<b>Net current assets</b>			
<b>(Liabilities)</b>		<b>49,761</b>	47,663
<hr/>			
<b>Total assets less current liabilities</b>		<b>166,182</b>	160,334
<hr/>			
<b>Capital and Reserve</b>			
Share capital	10	<b>91,000</b>	91,000
Reserve	11	<b>75,182</b>	69,334
<hr/>			
		<b>166,182</b>	160,334
<hr/>			

## Unaudited Condensed Cash Flow Statement

	For the six months ended 30 June	
	2004	2003
	RMB'000	RMB'000
Net cash inflow from operating activities	<b>6,169</b>	26,009
Net cash outflow investment activities	<b>(7,162)</b>	(2,737)
Net cash outflow from financing	—	(20,000)
Bank balance and (decrease)/increase in cash	<b>(993)</b>	3,272
Bank balance and cash as at 1 January	<b>104,876</b>	59,233
Bank balance and cash as at 30 June	<b>103,883</b>	62,505



## Unaudited Statement of Changes in Equity

	Share capital RMB'000	Reserves RMB'000	Total equity RMB'000
At 1 January 2003	68,000	30,399	98,399
Earnings for the period	—	8,394	8,394
At 30 June 2003	68,000	38,793	106,793
At 1 January 2004	91,000	69,334	160,334
Earnings for the period	—	8,123	8,123
Dividends paid ( <i>Note</i> )	—	(2,275)	(2,275)
At 30 June 2004	91,000	75,182	166,182

Note: The dividends paid in respect of financial year 2003 was audited.

## Notes to Condensed Interim Accounts

### 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The principal accounting policies and calculation method adopted in the preparation of this interim 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 relevant periods or as at the respective balance sheet dates. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized 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 Group during the periods are analyzed in terms of business segments as follows:

#### For the six months ended 30 June 2004

	FA-90 (RMB'000)	FA-D (RMB'000)	FA-J (RMB'000)	Ferrocene (RMB'000)	2-ethylhexyl thioglycolate (RMB'000)	Others (RMB'000)	Total (RMB'000)
Turnover	28,767	664	46	4	5,700	21	35,202
Cost of sales	(13,913)	(524)	(37)	(3)	(3,733)	(5)	(18,215)
Gross profit	14,854	140	9	1	1,967	16	16,987
Other operating income							195
Distribution costs							(1,082)
Administrative expenses							(4,874)
Profit from operation							11,226
Finance costs							(1,670)
Profit before taxation							9,556
Taxation							(1,433)
Net profit							8,123

For the six months ended 30 June 2003

	FA-90 (RMB'000)	FA-D (RMB'000)	FA-J (RMB'000)	Ferrocene (RMB'000)	2-ethylhexyl thioglycolate (RMB'000)	Total (RMB'000)
Turnover	38,114	210	79	70	407	38,880
Cost of sales	(19,919)	(131)	(57)	(62)	(497)	(20,666)
Gross profit	18,195	79	22	8	(90)	18,214
Other operating income						306
Distribution costs						(1,254)
Administrative expenses						(4,876)
Profit from operation						12,390
Finance costs						(2,484)
Profit before taxation						9,906
Taxation						(1,512)
Net profit						8,394

### 3. TAXATION

Taxes charged from the balance sheet are as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
PRC (Note)	(842)	(1,023)	(1,433)	(1,512)

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.

There was no significant unprovided deferred tax in respect of relevant periods or as at the respective balance sheet date.

### 4. INTERIM DIVIDEND

The Board does not recommend the payment of the interim dividend for the period under review (six months ended 30 June 2003: Nil).

## 5. EARNINGS PER SHARE

The earnings per share for the three months and six months ended 30 June 2004 are RMB0.005 and RMB0.009 respectively. Calculations are based on earnings of approximately RMB4,772,000 and RMB8,123,000 over the weighted average share capital of 910,000,000 shares in issue for the three months and six months ended 30 June 2004 respectively (2003: earnings of approximately RMB5,621,000 and RMB8,394,000 over the weighted average share capital of 680,000,000 shares for the three months and six months ended 30 June 2003).

No diluted earnings per share for the three months and six months respectively ended 30 June 2004 and the corresponding periods in 2003 have been presented because there were no dilutive potential ordinary shares in existence during the periods.

## 6. PROPERTY, PLANT AND EQUIPMENT

	<b>For the six months ended 30 June 2004 (Unaudited) RMB'000</b>	For the twelve months ended 31 December 2003 (Audited) RMB'000
At the beginning of the period	<b>83,954</b>	70,916
Additions	<b>10,707</b>	16,369
Disposals	<b>(5,942)</b>	—
Depreciation	<b>(1,951)</b>	(3,331)
Elimination on disposals	<b>2,707</b>	—
At the end of the period	<b>89,475</b>	83,954

## 7. INTANGIBLE ASSETS

	<b>Land</b>	<b>Technology</b>	<b>For the six months ended 30 June 2004 (Unaudited) RMB'000</b>	<b>For the twelve months ended 31 December 2003 (Audited) RMB'000</b>
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning				
of the period	24,550	4,167	<b>28,717</b>	32,260
Amortisation charges	(106)	(1,665)	<b>(1,771)</b>	(3,543)
At the end of the period	24,444	2,502	<b>26,946</b>	28,717

## 8. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	<b>As at 30 June 2004 (Unaudited) RMB'000</b>	<b>As at 31 December 2003 (Audited) RMB'000</b>
Trade receivable	<b>15,448</b>	13,698
Prepayments, deposits and other receivables	<b>3,813</b>	3,393
	<b>19,261</b>	17,091

Trade receivable of the Company at the end of the periods are analysed as follows:

	<b>As at 30 June 2004 (Unaudited) RMB'000</b>	<b>As at 31 December 2003 (Audited) RMB'000</b>
Within 90 days	<b>15,255</b>	13,468
90–180 days	<b>58</b>	97
180–365 days	<b>71</b>	47
More than 365 days	<b>64</b>	86
	<b>15,448</b>	13,698

The credit policy of the Company allows a credit term of 90 days.

#### 9. TRADE PAYABLE, OTHER PAYABLES AND ACCRUALS

	<b>As at 30 June 2004 (Unaudited) RMB'000</b>	<b>As at 31 December 2003 (Audited) RMB'000</b>
Trade payable	<b>2,254</b>	6,137
Other payables and accruals	<b>13,958</b>	16,272
	<b>16,212</b>	22,409

Trade payable of the Company at the end of the periods are analysed as follows:

	<b>As at 30 June 2004 (Unaudited) RMB'000</b>	<b>As at 31 December 2003 (Audited) RMB'000</b>
Within 90 days	<b>2,080</b>	5,955
90–180 days	—	—
180–365 days	—	—
More than 365 days	<b>174</b>	182
	<b>2,254</b>	6,137

#### 10. SHARE CAPITAL

	<b>As at 30 June 2004 and 31 December 2003</b>	
	<b>Number of shares</b>	<b>RMB</b>
Authorised		
Ordinary shares of RMB0.1 each	910,000,000	91,000,000
Issued and fully paid at the end of the period	910,000,000	91,000,000

#### 11. RESERVES

	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Statutory welfare reserve RMB'000	Accumulated profit RMB'000	<b>For the six months ended 30 June 2004 RMB'000</b>	For the three months ended 31 December 2003 RMB'000
At the beginning of the period	91,000	25,880	6,367	3,183	33,904	<b>160,334</b>	98,399
Profit for the period						<b>8,123</b>	18,792
New issue						—	46,543
Dividend						<b>(2,275)</b>	(3,400)
At the end of the period						<b>166,182</b>	160,334

## 12. PLEDGE OF ASSETS

At 30 June 2004, the status of the Company's assets pledged was as follows:

<b>Bank</b>	<b>Loan amount</b> (RMB'000)	<b>Status of pledges</b>
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

## 13. COMMITMENTS

### (a) Capital commitments

	<b>As at</b> <b>30 June</b> <b>2004</b> <b>RMB'000</b>	<b>As at</b> 31 December 2003 <b>RMB'000</b>
Capital expenses of property, plant and equipment		
— Authorised but not contracted for		
— Contracted for but not provided for in the financial statements	<b>3,693</b>	10,899





**(b) Operating lease commitments**

At 30 June 2004, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>As at 30 June 2004</b>	<b>As at 31 December 2003</b>
	<b>Production plants and office buildings</b>	<b>Production plants and office buildings</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Within 1 year	<b>310</b>	366
After 1 year but not more than 5 years	<b>1,240</b>	1,560
After 5 years	<b>698</b>	542

## Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 June 2004 (For the six months ended 30 June 2003: Nil).

## Management Discussion and Analysis

### Financial Review

For the six months ended 30 June 2004, the unaudited turnover of the Company was approximately RMB35,202,000, representing a decrease of 9% over the same period of last year. For the six months ended 30 June 2004, the unaudited net profit of the Company was approximately RMB8,123,000, representing a decrease of 3% over the same period of last year. The gross profit margin for the six months ended 30 June 2004, was approximately 48%, as compared to approximately 47% of last year. The decrease in net profit was mainly due to the slight decrease in the selling prices of the products. The drop in turnover for the three months ended 30 June 2004 is that certain significant contracts will be executed in the second half of 2004.

### Liquidity, Financial Resources and Capital Structure

As at 30 June 2004, the shareholders' equity of the Company were approximately RMB166,182,000 (31 December 2003: RMB160,334,000); cash and bank balances denominated in Renminbi were approximately RMB103,883,000 (31 December 2003: RMB104,876,000); current assets of the Company were about RMB129,446,000 (31 December 2003: RMB129,968,000); current liabilities of the Company were approximately 79,685,000 (31 December 2003: RMB82,305,000), which mainly comprised short-term bank loans of RMB54,500,000.



## **Employee Information and Remuneration Policy**

For the six months ended 30 June 2004, remuneration of employees of the Company was about RMB1,755,000 (2003: RMB1,630,000) and 205 staff (2003: 209 staff) were employed by the Company. The emoluments were determined in accordance with the posts and the duties of employees as well as the performance, qualification and experience of respective employees. Discretionary bonus will be given based on the performance of respective employees to acknowledge their contribution and reward them accordingly. Other benefits include housing fund scheme and the schemes for unemployment, medical and pension under the social security system of the PRC Government.

## **Acquisition and Disposal of Substantial Investments and Subsidiaries:**

For the six months ended 30 June 2004 and the same period of last year, there was no significant investment or significant acquisition or disposal of subsidiaries and associates.

## **Future Significant Investment Plans and Expected Capital Sources:**

The details for estimated capital sources of the future significant investments or expenditure scheme were respectively included the prospectus of the Company dated 23 June 2003 (the section headed Business Objective). Save as disclosed therein, there was no other future significant investment plan as at 30 June 2004.

## **Capital Commitments**

Please refer to Note 13 to the Condensed Interim Results.

## **Gearing Ratio**

The gearing ratio as at 30 June 2004 (calculated as the ratio of total loan to net assets) was 33% (31 December 2003: 34%).

## **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 2004, there was no significant contingent liabilities.

## **Review of Business Objectives**

As at 30 June 2004, achievements of the Company were as follows:

### *Business Development:*

As at 30 June 2004, the Company concentrated its effort on the production and sales of FA-90.

### *Products and Production:*

For the six months ended 30 June 2004, the Company produced approximately 364.2 tonnes of 2-ethylhexyl thioglycolate. The Company has already sold 367.7 tonnes, generating a sales revenue of RMB5,700,000 approximately. Some of the 2-ethylhexyl thioglycolate sold during the six months ended 30 June 2004 were from the Company's inventory.

## **Prospects**

During the period under review, the Company continued to consolidate and expand of the production and sales of FA-90 and speed up the construction of the FA-90 production facilities. At the same time, the Company performed well in the production and sales of the new product, 2-ethylhexyl thioglycolate the Company will further develop the application and sales market for 2-ethylhexyl thioglycolate, enhance the development on technology and strengthen the internal management in order to realize the business objectives of the Company.



## Comparison Between the Business Plan and the Actual Progress

Projects	Business objectives stated in the prospectus	
	Planned Progress (1 January 2004 to 30 June 2004)	Actual Progress as at 30 June 2004
1. Construction of FA-90 core assembly new production facility	Installation of production lines. Purchase of production equipment.	The reconstruction of some production line has been completed and some production equipment has been purchased. The new production facility is under construction.
2. Technology Building	Construction of basic facilities and indoor and outdoor decoration.	The project is suspended.*
3. Technical Centre	Decoration of the technical center. Indoor decoration. Installation of research and testing apparatuses.	The project is suspended.*
4. Calcium thioglycollate and petroleum processed chemical production facility of the Weinan Company	Improving the prescription of the petroleum processed chemical.	Completed.
5. Expansion of sales and distribution network	Purchase of transportation and storage facilities.	The project is suspended.*

\* Due to the austerity policy of the PRC, the Company focused on its efforts and financial resources in the expansion of FA-90 project and for internal uses. Hence, the project 2, 3 & 5 were temporarily suspended.

## Uses of the Proceeds

Pursuant to the prospectus dated 23 June 2003, the final placing price of the Company was HKD0.25 per H share. The net proceeds received by the Company would all be used in enhancing the productivity of the FA-90 core assembly.

	<b>Estimated for the six months ended 1 January 2004 to 30 June 2004 (HKD)</b>	<b>Actually amount used (HKD)</b>
Construction of FA-90 core assembly new production facility	7,500,000	5,960,000

The unutilised amount was deposited into a bank account in China on 30 June 2004.

## Directors', Chief Executives' and Supervisors' Interests in Shares

As at 30 June 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 be notified to the Company and the Stock Exchange pursuant to Rules relating to Securities Transactions by Directors of Listed Company:

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	60.22%
Wang Cong (Note 2)	Tian Cheng Environmental Company	Interest of controlled corporation	13,745,460 ordinary shares	98.18%
Wong Zheng	Company	Beneficial owner	2,000,000 domestic shares	0.22%
Guo Qiubao	Company	Beneficial owner	2,000,000 domestic shares	0.22%
Zheng Rongfang	Company	Beneficial owner	2,000,000 domestic shares	0.22%
Wong Feng	Company	Beneficial owner	2,000,000 domestic shares	0.22%
Zeng Yinglin	Company	Beneficial owner	2,000,000 domestic shares	0.22%
Yan Buqiang	Company	Beneficial owner	2,000,000 domestic shares	0.22%

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’ and Supervisors’ Interest in Underlying Shares under Equity Derivatives

Save as disclosed above, for the six months ended 30 June 2004, no director or supervisor has 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 30 June 2004, is aware of any person who has any interest or short position in any share or underlying share 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:

<b>Name</b>	<b>Capacity</b>	<b>Number of domestic shares</b>	<b>Percentage of shareholding</b>
Northwest Group	Beneficial owner	548,000,000 shares	60.22%
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 30 June 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 Group.

## Sponsor’s Interest

As at 30 June 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 30 June 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 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. The audit committee comprises two independent non-executive Directors, namely Mr. Li Gangjian and Mr. Hu Yangxiang and one executive Director, namely Ms. Zheng Rongfang. Mr. Hu Yangxiang is the chairman of the audit committee.

The audit committee has reviewed this interim report.

## Board Practices & Procedures

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules during the six months ended 30 June 2004.

## Repurchase, Sale or Redemption of Listed Securities

The Company did not purchase, sell or redeem any of the Company's listed securities during the six months ended 30 June 2004.

By order of the Board

**Shaanxi Northwest New Technology Industry Company Limited**

**Wang Cong**

*Chairman*

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