



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 Third Quarterly Report

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

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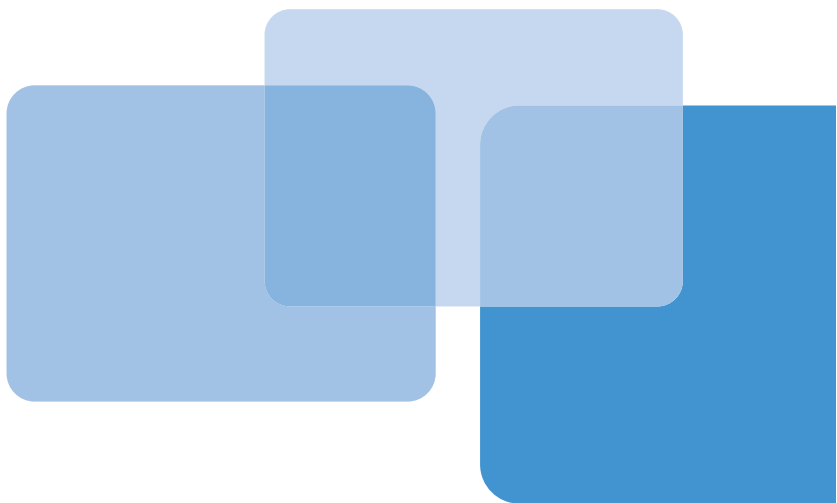
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This report, for which the directors (the “Directors”) of Shaanxi Northwest New Technology Industry Company Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing 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 nine months period ended 30 September 2004, the Company's turnover was approximately RMB63,451,000, representing an increase of 2.2% over the same period of last year;
- For the nine months period ended 30 September 2004, the Company's net profit was approximately RMB16,728,000, representing an increase of 16.3% over the same period of last year;
- The Directors do not recommend the payment of any dividend for the nine months period ended 30 September 2004.

CONDENSED FINANCIAL STATEMENTS

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 the nine months period ended 30 September 2004 and the comparative unaudited figures for the corresponding periods in 2003 as follows:

Unaudited Profit and Loss Account

For the three months and nine months period ended 30 September 2004

	Note	For the three months period ended 30 September		For the nine months period ended 30 September	
		2004 RMB'000 (Unaudited)	2003 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)	2003 RMB'000 (Unaudited)
Turnover	2	28,249	23,180	63,451	62,060
Cost of sales	2	(14,384)	(12,614)	(32,599)	(33,280)
Gross profit		13,865	10,566	30,852	28,780
Subsidy income		—	800	—	800
Other operating income		115	109	310	415
Distribution costs		(523)	(312)	(1,605)	(1,566)
Administrative expenses		(2,229)	(3,327)	(7,103)	(8,203)
Profit from operation		11,228	7,836	22,454	20,226
Finance costs		(872)	(869)	(2,542)	(3,353)
Profit before taxation		10,356	6,967	19,912	16,873
Taxation	3	(1,751)	(983)	(3,184)	(2,495)
Net profit		8,605	5,984	16,728	14,378
Earnings per share (basic)	4	RMB0.009	RMB0.007	RMB0.018	RMB0.019

Statement of Changes in Equity

For the nine months period ended 30 September 2004

	(Unaudited)	
	For the nine months	
	period ended	
	30 September	
	2004	2003
	RMB'000	RMB'000
Total equity at the beginning of the period	160,334	98,399
Earnings for the period	16,728	14,378
Dividends paid	(2,275)	(3,400)
Funds raised from share issues	—	46,543
Total equity at the end of the period	174,787	155,920

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of GEM Listing Rules and with Statement of Standard Accounting Practice No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The interim financial information has been prepared under the historical cost convention. The accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended 31 December 2003.

2. SEGMENTAL INFORMATION

The turnover and results of the Group during the period are analyzed in terms of business segments as follows:

For the nine months period ended 30 September 2004

	FA-90 (RMB'000)	2-ethylhexyl thioglycolate (RMB'000)	FA-D (RMB'000)	FA-J (RMB'000)	Ferrocene (RMB'000)	Total (RMB'000)
Turnover	52,758	9,908	781	—	4	63,451
Cost of sales	(25,630)	(6,396)	(570)	—	(3)	(32,599)
Gross profit	27,128	3,512	211	—	1	30,852
Distribution costs						(1,605)
Administrative expenses						(7,103)
Finance costs						(2,542)
Other operating income						310
Subsidy income						—
Profit before taxation						19,912
Taxation						(3,184)
Net profit						16,728

For the nine months period ended 30 September 2003

	FA-90 (RMB'000)	2-ethylhexyl thioglycolate (RMB'000)	FA-D (RMB'000)	FA-J (RMB'000)	Ferrocene (RMB'000)	Total (RMB'000)
Turnover	60,342	1,213	347	88	70	62,060
Cost of sales	(31,578)	(1,356)	(220)	(64)	(62)	(33,280)
Gross profit	28,764	(143)	127	24	8	28,780
Distribution costs						(1,566)
Administrative expenses						(8,203)
Finance costs						(3,353)
Other operating income						415
Subsidy income						800
Profit before taxation						16,873
Taxation						(2,495)
Net profit						14,378

3. TAXATION

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
PRC (Note)	1,751	983	3,184	2,495

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. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	For the three months ended 30 September		For the nine months ended 30 September	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Net profit for the period	8,605	5,984	16,728	14,378
Weighted average number of ordinary share for the purpose of basic earnings per share	910,000,000	910,000,000	910,000,000	756,666,666

No diluted earnings per share has been presented as there were no potential dilutive shares in respective periods of 2003 and 2004.

5. SHARE CAPITAL

	30 September 2004		31 December 2003	
	Number of shares	RMB'000	Number of shares	RMB'000
Authorised Ordinary shares of RMB0.1 each	680,000,000	68,000	680,000,000	68,000
Issued and fully paid	230,000,000	23,000	—	—
At the end of the period	910,000,000	91,000	680,000,000	68,000

6. RESERVES

	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Statutory welfare reserve RMB'000	Accumulated profit RMB'000	Total as at 30 September 2004 RMB'000	As at 31 December 2003 RMB'000
At the beginning of the period/year	91,000	25,880	6,367	3,183	33,904	160,334	98,399
Profit for the period/year	—	—	—	—	16,728	16,728	18,792
New issue	—	—	—	—	—	—	46,543
Dividends	—	—	—	—	(2,275)	(2,275)	(3,400)
At the end of the period	91,000	25,880	6,367	3,183	48,357	174,787	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
Total as at 30 September 2004	50,000	

8. COMMITMENTS

(a) Capital commitments

	For the nine months period ended 30 September	
	2004	2003
	RMB'000	RMB'000
Capital expenses of property, plant and equipment		
Authorised but not contracted for	—	30,313
Contracted for but not provided for in the financial statements	3,693	10,325
	3,693	40,638

(b) Operating lease commitments

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

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

	For the nine months period ended 30 September	
	2004	2003
	Production plants and office buildings RMB'000	Production plants and office buildings RMB'000
Within 1 year	310	310
After 1 year but not more than 5 years	1,240	1,240
After 5 years	620	960
	2,170	2,510

9. DIVIDEND

The Directors do not recommend the payment of any dividend for the nine months period ended 30 September 2004 (For the nine months period ended 30 September 2003: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the nine months period ended 30 September 2004, the unaudited turnover of the Company was RMB63,451,000, representing an increase of 2.2% over the same period of last year. For the nine months period ended 30 September 2004, the unaudited net profit of the Company was RMB16,728,000, representing an increase of 16.3% over the same period of last year. The gross profit margin was 48.6%, as compared to 46.4% of the same period of last year. During the review period, the 2-ethylhexyl thioglycolate production line has commenced operation fully. The Company sold more products with better gross margin, which led to a slight increase in gross margin during the period under review. On the other hand, the Company continues to control administrative expenses. During the review period, the Company recorded a lower administrative expenses than the corresponding period last year and hence, the Company's profit climbed by approximately 16.3%.

Review of Business Objectives

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

Business Development:

As at 30 September 2004, the Company concentrated its effort on the production and sales of the unlead gasoline additive FA-90, generating a sales revenue of RMB52,758,000.

Products and Production:

For the nine months period ended 30 September 2004, the Company produced 524.5 tonnes of 2-ethylhexyl thioglycolate. The Company has already sold 439.8 tonnes, generating a sales revenue of RMB9,908,000.



Prospects

Future Significant Investment Plans and Expected Capital Sources

The details for the future significant investments or expenditure scheme and expected capital sources of the Company were respectively included in the section headed “Statement of Business Objectives” in the prospectus of the Company dated 23 June 2003. Save as disclosed above, there was no other significant investment plan as at 30 September 2004.

Acquisition and Disposal of Substantial Investments Held and Substantial Subsidiaries

As at 30 September 2004 and the same period of last year, there was no significant investment or significant acquisition or disposal of subsidiaries and associates of the Company.

DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS IN SHARES

As at 30 September 2004, the Directors, chief executives and supervisors have the following interests or short positions in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) (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 the Model Code for Securities Transactions by Directors of Listed Companies:

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	60.22%
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:

- The 548,000,000 domestic shares are held by Xi'an Northwest Industry (Group) Company Limited (formerly known as Xi'an 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 the 548,000,000 domestic shares.
- 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 nine months period ended 30 September 2004, no director or supervisor has been granted any rights to subscribe H shares of the Company.

INTEREST DISCLOSEABLE PURSUANT TO THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 September 2004, none of the Directors or chief executives is aware of any other person who has any interest or short position in 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%
Jing Dian Investment	Beneficial owner	120,000,000 shares	13.19%
Ding Xianguang (Note)	Interest of controlled corporation	120,000,000 shares	13.19%
Zhang Jianming (Note)	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 September 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 September 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 September 2004.

Pursuant to the sponsor agreement dated 23 June 2003 entered into between the Company and CPY Capital, CPY Capital received fees for acting as the Company’s retained 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 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. The audit committee comprises three independent non-executive Directors, namely Mr. Li Gangjian, Mr. Hu Yangxiong and Mr. Su Yuanquan. Mr. Hu Yangxiong is the chairman of the audit committee.

This result announcement has been reviewed by the audit committee of the Company.

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 nine months period ended 30 September 2004.



PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company did not purchase, sell or redeem any of the Company's listed securities during the nine months period ended 30 September 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 November 2004

As at the date of this report, the Board is comprised of nine directors, of which five are executive directors, namely Mr. Wang Cong, Mr. Wang Zheng, Mr. Guo Qiubao, Ms. Zheng Rongfang and Mr. Wang Feng; one is non-executive director, namely Mr. Guo Bin; and three are independent non-executive directors, namely Mr. Hu Yangxiong, Mr. Li Gangjian and Mr. Su Yuanquan.