



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)



2005 Third Quarterly Report

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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.

Contents

- 2 Summary
- 3 Financial Information
- 8 Management Discussion and Analysis
- 9 Other Information





Summary

- For the nine months ended 30 September 2005, a turnover of approximately RMB284,000 was recorded, representing a decrease of 99% over the same period of the previous year;
- For the nine months ended 30 September 2005, a loss of approximately RMB9,221,000 was recorded; and
- The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2005.

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 and nine months ended 30 September 2005 and the comparative unaudited figures for the corresponding periods in 2004 as follows:

Unaudited Profit and Loss Account

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Turnover	2	-	28,249	284	63,451
Cost of sales	2	-	(14,384)	(258)	(32,599)
Gross (loss)/profit		-	13,865	26	30,852
Government subsidies		-	-	-	-
Other operating income		(2)	115	(6)	310
Distribution costs		(76)	(523)	(477)	(1,605)
Administrative expenses		(1,609)	(2,229)	(6,686)	(7,103)
Operating (loss)/profit		(1,687)	11,228	(7,143)	22,454
Finance costs		(520)	(872)	(2,078)	(2,542)
(Loss)/Profit before taxation		(2,207)	10,356	(9,221)	19,912
Taxation	3	-	(1,751)	-	(3,184)
Net (loss)/profit		(2,207)	8,605	(9,221)	16,728
(Loss)/earnings per share	4	RMB(0.002)	RMB0.009	RMB(0.01)	RMB0.018

NOTES TO THE CONDENSED ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited quarterly report has been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

The quarterly results have been prepared in accordance with and compliance with all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements are prepared under historical cost convention.

In 2004, the HKICPA issued a number of new and revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("new HKFRS") which are effective for Accounting periods beginning on or after 1 January 2005. The adoption of these HKFRS has no material impact on the operating results and financial position of the Company.

2. SEGMENT INFORMATION

The turnover and results of the Company for the periods are analyzed by business segments as follows:

For the nine months ended 30 September 2005

	FA-90 and others RMB'000	Total RMB'000
Turnover	284	284
Cost of sales	(258)	(258)
Gross profit	26	26
Distribution costs		(477)
Administrative expenses		(6,686)
Finance costs		(2,078)
Other operating income		(6)
Loss before taxation		(9,221)
Taxation		-
Net loss		(9,221)

For the nine months ended 30 September 2004

	FA-90 RMB'000	Mercaptan RMB'000	FA-D RMB'000	Ferrocene RMB'000	Total RMB'000
Turnover	52,758	9,908	781	4	63,451
Cost of sales	<u>(25,630)</u>	<u>(6,396)</u>	<u>(570)</u>	<u>(3)</u>	<u>(32,599)</u>
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					<u>310</u>
Profit before taxation					19,912
Taxation					<u>(3,184)</u>
Net profit					<u>16,728</u>

3. TAXATION

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

	For the nine months ended 30 September	
	2005	2004
	RMB'000	RMB'000
PRC (Note)	<u>-</u>	<u>(3,184)</u>

Note: Taxes payable in respect of profits derived from the PRC are provided in accordance to the estimated assessable profit for the period at the applicable tax rate in the PRC.

4. (LOSS)/EARNINGS PER SHARE

	For the nine months ended 30 September	
	2005	2004
	RMB'000	RMB'000
Net (loss)/profit for the period	(9,221)	16,728
Weighted average number of ordinary shares used to calculate earnings per share	<u>910,000,000</u>	<u>910,000,000</u>

Diluted earnings per share is not presented as there were no potential dilutive shares during the years ended 2005 and 2004.

5. SHARE CAPITAL

	Number of shares		Registered, issued and fully paid
	Domestic share	H Share	<i>RMB'000</i>
Ordinary shares of RMB0.1 each			
As at 1 January 2005	680,000,000	230,000,000	91,000
As at 30 September 2005	<u>680,000,000</u>	<u>230,000,000</u>	<u>91,000</u>

6. STATEMENT OF CHANGES IN EQUITY

	Paid-up capital	Share premium	Statutory surplus reserve	Statutory welfare fund	Retained profits	At 30 September 2005	At 31 December 2004
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the period	91,000	25,880	7,580	3,789	50,155	178,404	160,334
Profit for the period	-	-	-	-	(9,221)	(9,221)	20,345
Dividend approved for the year ended 31 December 2003	-	-	-	-	-	-	(2,275)
At the end of the period	<u>91,000</u>	<u>25,880</u>	<u>7,580</u>	<u>3,789</u>	<u>40,934</u>	<u>169,183</u>	<u>178,404</u>

7. PLEDGES OF ASSETS

Bank	Loan amount	Status of pledge
	<i>RMB'000</i>	
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 nine months ended 30 September	
	2005	2004
		Audited
	RMB'000	RMB'000
Capital expenses of property, plant and equipment Contracted for but not provided for in the financial statements	12,571	12,571

(b) Operating leases commitments

As at 30 September 2005, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

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

	For the nine months ended 30 September	
	2005	2004
	Production plants and office buildings	Production plants and office buildings
	RMB'000	RMB'000
Within 1 year	310	310
After 1 year but not more than 5 years	1,240	1,550
After 5 years	310	310
	1,860	2,170

9. DIVIDEND

The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2005 (for the nine months ended 30 September 2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the nine months ended 30 September 2005, the Company recorded an unaudited turnover of approximately RMB284,000, representing a decrease of 99% over the corresponding period of the previous year. Unaudited loss of approximately RMB9,221,000 was incurred for the nine months ended 30 September 2005. The drastic decrease in net profit was mainly attributable to the litigation between Xi'an Northwest Industry (Group) Company Limited (陝西西北實業(集團)公司) ("Northwest Group") and Shaanxi Jing Dian Investment Company Limited (陝西精典投資有限公司 ("Jing Dian Investment")), which has been announced by the Company in the announcement dated 18 May 2004, 24 December 2004 and 21 April 2005 respectively. As a result of a freeze over the principle bank accounts of the Company due to the litigation, the Company was unable to carry out normal operations and experienced a substantial slide in the results for the nine months ended 30 September 2005.

Review of Business Objectives

As at 30 September 2005, business progress attained by the Company was as follows:

The drastic decrease in net profit was mainly attributable to the litigation between Northwest Group and Jing Dian Investment. As a result of a freeze over the principle bank accounts of the Company due to the litigation, the Company was unable to carry out normal operations and experienced a substantial slide in the results for the nine months ended 30 September 2005.

Prospects:

Upon the unfreeze of its bank accounts, the Company will review its business objectives and strategies stated in the Prospectus and resume its operations.

Despite of the pending litigations, the Company plans to resume the production and sale of certain FA-90 products, and develop new energy related products by the end of this year.

Significant future investment plans and expected sources of capital

Details of significant future investment or capital expenses plans and the expected sources of capital of the Company are set out in the section "Statement of Business Objectives" of the Company's prospectus dated 23 June 2003 (the "Prospectus"). Save as disclosed aforesaid, there are no other significant investment plan as at 30 September 2005.

Acquisition and Disposal of Substantial Investments and Subsidiaries

For the nine months ended 30 September 2005 and the corresponding period of the previous year, there was no significant investment or significant acquisition or disposal of subsidiaries or associates.

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

As at 30 September 2005, the interests or short positions of the Directors, supervisors and chief executives 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 dealings by directors of listed issuer 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	Approximate shareholding percentage in the same class of securities	Approximate shareholding percentage in the entire issued share capital of the Company
Wang Cong (Note 1)	Interest of controlled corporation	548,000,000	80.58%	60.22%
Wang Zheng	Beneficial owner	2,000,000	0.29%	0.22%
Guo Qiubao	Beneficial owner	2,000,000	0.29%	0.22%
Zheng Rongfang	Beneficial owner	2,000,000	0.29%	0.22%
Wang Feng	Beneficial owner	2,000,000	0.29%	0.22%
Zheng Yingjin	Beneficial owner	2,000,000	0.29%	0.22%
Yan Buqiang	Beneficial owner	2,000,000	0.29%	0.22%

Interests in associated corporations (long positions)

Name	Name of associated corporation	Capacity	Number of securities	Approximate shareholding percentage in the entire issued share capital
Wang Cong (Note 2)	Xi'an Tian Cheng Environmental Technology Development Company Limited (西安天成環保科技發展有限公司)	Interest of controlled corporation	13,745,480 ordinary shares	98.18%

Note:

1. The 548,000,000 domestic shares are held by 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. Xi'an Tian Cheng Environmental Technology Development Company Limited (西安天成環保科技發展有限公司) is a subsidiary of Northwest Group, the holding company of the Company, and is thus an associated corporation of the Company.

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 nine months ended 30 September 2005.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST

As at 30 September 2005, the persons (other than a director, supervisor or chief executive of the Company) who have 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	Approximate shareholding percentage in the same class of securities	Approximate shareholding percentage in the entire issued share capital of the Company
Northwest Group	Beneficial owner	548,000,000	80.58%	60.22%
Jing Ding Investment	Beneficial owner	120,000,000	17.64%	13.19%
Ding Xianguang (Note)	Interest of controlled corporation	120,000,000	17.64%	13.19%
Zhang Jianming (Note)	Interest of controlled corporation	120,000,000	17.64%	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 the SFO.

Interests in H shares of the Company (long positions):

Other shareholders

Name	Capacity	Number of H shares	Approximate shareholding percentage in the same class of securities	Approximate shareholding percentage in the entire issued share capital of the Company
Lin Ko Ming	Beneficial owner	12,000,000	5.22%	1.32%

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme. The major terms and conditions of the share option scheme are set out in the section headed "Share Option Scheme" in Appendix VI to the Prospectus. As at 30 September 2005, no share option has been granted under the share option scheme.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

As at 30 September 2005, trade receivables due from Nanjing Ding Jun Petrochemical Plant* (南京鼎鈞石油化工廠), Zibo Xin Ye Petrochemical Co., Ltd.* (淄博市信業化工有限公司), Yumen Tian Yu Industrial Trading Co., Ltd.* (玉門市天宇工貿有限公司), Xi'an Dong Dong Sheng Petrochemical Co., Ltd.* (西安東盛石油有限公司), Shenyang Jin Xing Petrochemical Co., Ltd.* (瀋陽金星石油化工有限公司), Yumen Kong Tai Industrial Trading Co., Ltd.* (玉門市康泰工貿有限責任公司), Shandong Tai An Zhong Tian Petrochemical Co., Ltd.* (山東泰安中天化工有限公司) and Zibo Lin Zi Heng Xin Industrial Co., Ltd.* (淄博市臨淄恒鑫實業公司) amounted to approximately RMB8,719,000, RMB7,854,000, RMB5,500,000, RMB4,808,000, RMB4,792,000, RMB2,500,000, RMB1,757,000 and RMB1,675,000 respectively, representing approximately 42.9%, 38.6%, 27.0%, 23.6%, 23.6%, 12.3%, 8.6% and 8.2% of the Company's net profit for the year ended 31 December 2004 respectively. This constitutes disclosure obligations on the part of the Company pursuant to Rule 17.15 of GEM Listing Rules.

The Directors confirm the aforementioned customers are independent third parties not connected with the Directors and substantial shareholders of the Company.

Save for the above, as at 30 September 2005, so far as is known to the Directors, there is no other advance which would give rise to disclosure obligations under Rules 17.15 and 17.17 of GEM Listing Rules.

*Note: * for identification purpose only*



COMPETING INTEREST

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

INTEREST OF THE COMPLIANCE ADVISER

As notified and updated by Core Pacific-Yamaichi Capital Limited (“CPY Capital”), Core Pacific-Yamaichi International (H.K.) Limited, an associate (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) of CPY Capital, held 8,800,000 H 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 2005.

Pursuant to the Sponsor’s Agreement dated 23 June 2003 between CPY Capital and the Company, CPY Capital received fees for acting as the Company’s compliance adviser for the period from 3 July 2003 to 31 December 2005 or until the date of termination of the Sponsor’s Agreement pursuant to the terms and conditions therein.

AUDIT COMMITTEE

The Company has established an audit committee on 6 July 2002 with written terms of reference stipulating the committee’s authority and duties in compliance with Rules 5.28 and 5.30 of the GEM Listing Rules. The principal duties of the audit committee are to review the annual reports and accounts, interim reports and quarterly reports of the Company, to provide recommendations and advice to the Board and to 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 Yangxiong, and one executive Director, namely Ms. Zheng Rongfang. Mr. Hu Yangxiong is the chairman of the audit committee. The unaudited results for the nine months ended 30 September 2005 had been reviewed by the audit committee.



REPURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company did not purchase, sell or redeem any of its listed securities during the nine months ended 30 September 2005.

By order of the Board
Shaanxi Northwest New Technology Industry Company Limited*
Wang Cong
Chairman

Xi'an, the People's Republic of China, 14 November 2005

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

*Executive Directors: Mr. Wang Cong, Mr. Wang Zheng, Mr. Guo Qiubao,
Ms. Zheng Rongfang and Mr. Wang Feng*

Non-executive Director: Mr. Guo Bin

*Independent non-executive Directors: Mr. Hu Yangxiong, Mr. Li Gangjian
and Mr. Su Yuanquan*

* *For identification purpose only*