



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)

Third Quarterly 2006 Report

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

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 2006, a turnover of approximately RMB42,240,000 was recorded, representing an increase of 14,773% over the same period of the previous year;
- For the nine months ended 30 September 2006, a profit of approximately RMB7,618,000 was recorded; and
- The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2006.

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 2006 and the comparative unaudited figures for the corresponding periods in 2005 as follows:

Unaudited Profit and Loss Account

For the three months and nine months ended 30 September 2006

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Turnover	2	17,296	–	42,241	284
Cost of sales	2	(11,656)	–	(29,160)	(258)
Gross (loss)/profit		5,640	–	13,081	26
Government subsidies		–	–	–	–
Other operating income		–	(2)	–	(6)
Distribution costs		(1)	(76)	(74)	(477)
Administrative expenses		(763)	(1,609)	(3,064)	(6,686)
Operating (loss)/profit		4,876	(1,687)	9,943	(7,143)
Finance costs		(774)	(520)	(2,325)	(2,078)
(Loss)/Profit before taxation	3	4,102	(2,207)	7,618	(9,221)
Taxation		–	–	–	–
Net (loss)/profit		4,102	(2,207)	7,618	(9,221)
(Loss)/earnings per share	4	RMB0.0045	RMB(0.002)	RMB0.008	RMB(0.01)

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.

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 2006

	FA-90	Thiol	FA-D	Ferrocene	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	42,241	-	-	-	42,241
Cost of sales	(29,160)	-	-	-	(29,160)
Gross profit	13,081	-	-	-	13,081
Distribution costs					(74)
Administrative expenses					(3,064)
Finance costs					(2,325)
Other operating income					-
Profit before taxation					7,618
Taxation					-
Net profit					7,618

For the nine months ended 30 September 2005

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

3. TAXATION

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

	For the nine months ended 30 September	
	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>
PRC (Note)	<u>-</u>	<u>-</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	
	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>
Net (loss)/profit for the period	7,618	(9,221)
Weighted average number of ordinary shares used to calculate earnings per share	910,000,000	910,000,000

Diluted earnings per share is not presented as there were no potential dilutive shares during the years ended 2006 and 2005.

5. SHARE CAPITAL

	Number of shares		Registered, issued and fully paid
	Domestic share	H Share	RMB'000
Ordinary shares of RMB0.1 each			
As at 1 January 2006	680,000,000	230,000,000	91,000
As at 30 September 2006	680,000,000	230,000,000	91,000

6. STATEMENT OF CHANGES IN EQUITY

	Paid-up capital	Share premium	Statutory surplus reserve	Statutory welfare fund	Retained profits	At 30 September 2006	At 31 December 2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the period	91,000	25,880	7,580	3,791	(7,172)	121,077	178,404
Profit for the period	-	-	-	-	7,618	7,618	(57,327)
Dividend approved for the year ended 31 December 2006	-	-	-	-	-	-	-
At the end of the period	<u>91,000</u>	<u>25,880</u>	<u>7,580</u>	<u>3,791</u>	<u>446</u>	<u>128,695</u>	<u>121,077</u>

7. PLEDGES OF ASSETS

Bank	Loan amount RMB'000	Status of pledge
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	
	2006	2005
		Audited
	RMB'000	RMB'000
Capital expenses of property, plant and equipment Contracted for but not provided for in the financial statements	12,251	12,571

(b) Operating leases commitments

As at 30 September 2006, 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:

	As at 30 September 2006	As at 31 December 2005
	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	1,318	1,550
After 5 years	-	-
	1,628	1,860

9. DIVIDEND

The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2006 (for the nine months ended 30 September 2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the nine months ended 30 September 2006, the Company recorded an unaudited turnover of approximately RMB42,240,000, representing an increase of 14,773% over the corresponding period of the previous year. Unaudited profit of approximately RMB7,618,000 was incurred for the nine months ended 30 September 2006. With the recovery of more trade receivables for previous years and the support from the previous customers and the substantial shareholder, the Company was able to resume production in a reasonable form and sell products to the previous customers. Therefore, the results for the period improved substantially as compared to the corresponding period of the previous year when the operation was suspended.

PROSPECTS

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

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. Save as disclosed aforesaid, there are no other significant investment plan as at 30 September 2006.

ACQUISITION AND DISPOSAL OF SUBSTANTIAL INVESTMENTS AND SUBSIDIARIES

As at 30 September 2006 and the corresponding period of the previous year, there was no significant investment or significant acquisition or disposal of subsidiaries or associates.

OTHER INFORMATION

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

As at 30 September 2006, 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 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 (<i>Note 1</i>)	Interest of controlled corporation	548,000,000	80.58%	60.22%
Zheng Rongfang	Beneficial owner	2,000,000	0.29%	0.22%
Wang Feng	Beneficial owner	2,000,000	0.29%	0.22%
Yan Buqiang	Beneficial owner	2,000,000	0.29%	0.22%
Zheng Yinglin	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 (<i>Note 2</i>)	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%

Notes:

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 2006.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST

As at 30 September 2006, 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)

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 2006, no share option has been granted under the share option scheme.

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 2006.

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 5.23 and 5.24 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 three independent non-executive Directors, namely Mr. Li Gangjian, Mr. Chen Tao and Mr. Wei Dazhi. Mr. Wei Dazhi is the chairman of the audit committee. The unaudited results for the nine months ended 30 September 2006 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 2006.

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

Xi'an, the People's Republic of China, 13 November 2006

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

Executive Directors:	Mr. Wang Cong, Mr. Gao Peng, Mr. Yang Xiaohuai and Mr. Wang Feng
Non-executive Directors:	Mr. Guo Bin, Ms. Zheng Rongfang
Independent non-executive Directors:	Mr. Li Gangjian, Mr. Chen Tao and Mr. Wei Dazhi

** For identification purpose only*