



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)



2003 INTERIM 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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed companies.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of Shaanxi Northwest New Technology Industry Company Limited (the “Directors”) 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 (the “GEM Listing Rules”) 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: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) 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 2003, the turnover was RMB38,880,000, representing an increase of 15.5% over the same period of last year;
- For the six months ended 30 June 2003, the net profit was RMB8,394,000, representing an increase of 29% over the same period of last year;
- The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2003.

The board of Directors (the "Board") of Shaanxi Northwest New Technology Industry Company Limited (the "Company") hereby submits the unaudited operating results of the Company for the three months and the six months ended 30 June 2003 and the comparative unaudited figures for the corresponding period in 2002 as follows:

Unaudited Profit and Loss Account

For the three months and the six months ended 30 June 2003

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Turnover	2	23,989	20,943	38,880	33,652
Cost of sales	2	(13,237)	(10,183)	(20,666)	(16,523)
Gross profit		10,752	10,760	18,214	17,129
Other operating income		89	197	306	216
Distribution costs		(742)	(856)	(1,254)	(1,234)
Administrative expenses		(2,513)	(3,483)	(4,876)	(6,428)
Profit from operations		7,586	6,618	12,390	9,683
Finance costs		(942)	(1,112)	(2,484)	(1,979)
Profit before taxation		6,644	5,506	9,906	7,704
Taxation	3	(1,023)	(826)	(1,512)	(1,195)
Net profit		5,621	4,680	8,394	6,509
Earnings per share					
— Basic	5	RMB0.008	RMB0.007	RMB0.012	RMB0.01

Interim Result

Balance Sheet

		(Unaudited) As at 30 June 2003 RMB'000	(Audited) As at 31 December 2002 RMB'000
Non-current assets			
Property, plant and equipments	6	72,188	70,916
Intangible assets	7	30,489	32,260
		102,677	103,176
Current assets			
Inventories		6,438	8,904
Trade and other receivables and prepayments	8	21,677	27,991
Bills receivable		—	1,150
Bank balances and cash		62,505	59,233
		90,620	97,278
Current liabilities			
Trade and other payables	9	15,492	12,363
Taxation payable		3,712	2,392
Bank borrowings		67,300	87,300
		86,504	102,055
Net current assets (liabilities)		4,116	(4,777)
Total assets less current liabilities		106,793	98,399
Capital and reserves			
Share capital	10	68,000	68,000
Reserves	11	38,793	30,399
Shareholders' equity		106,793	98,399

Condensed Cash Flow Statement*For the six months ended 30 June 2003*

	(Unaudited)	
	For the six months ended 30 June	
	2003	2002
	RMB'000	RMB'000
Net cash flow from operating activities	26,009	(9,649)
Net cash flow from investing activities	(2,737)	(21,530)
Net cash flow from financing activities	(20,000)	—
Increase/(decrease) in bank balances and cash	3,272	(31,179)
Bank balances and cash at 1 January	59,233	66,787
Bank balances and cash at 30 June	62,505	35,608

Unaudited statement of changes in equity*For the six months ended 30 June 2003*

	Share capital	Reserves	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2002	68,000	25,843	93,843
Profit during the period	—	6,509	6,509
Dividend paid (<i>note</i>)	—	(12,240)	(12,240)
As at 30 June 2002	68,000	20,112	88,112
As at 1 January 2003	68,000	30,399	98,399
Profit during the period	—	8,394	8,394
As at 30 June 2003	68,000	38,793	106,793

Note: The dividend paid in respect of financial year 2001 has been audited.

Interim Result

Notes to condensed interim results

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial statement (“Interim Results”) have been prepared in accordance with No. 2.125 “Interim Financial Statement” of the Statements of Standard Accounting Practice (“Standard Accounting Practice”) issued by the Hong Kong Society of Accountants. This Interim Results shall be read in conjunction with the 2002 financial results.

The principal accounting policies and calculation method adopted in the preparation of this Interim Results are in accordance with those adopted in the annual financial results for the year ended 31 December 2002 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 implementation of 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 results of the current period.

2. SEGMENTAL INFORMATION AND TURNOVER

The Company is engaged solely in the development, manufacture and sales of chemical products in the PRC. All the identifiable assets of the Company are located in the PRC. Accordingly, no segmental information is presented.

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

For the six months ended 30 June 2003

	FA-90	FA-D	FA-J	Ferrocene	Others	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(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
Distribution cost						(1,254)
Administrative expenses						(4,876)
Finance cost						(2,484)
Other operating income						306
Profit before tax						9,906
Taxation						(1,512)
Net profit						8,394

Interim Result

For the six months ended 30 June 2002

	FA-90 (RMB'000)	FA-D (RMB'000)	Ferrocene (RMB'000)	Total (RMB'000)
Turnover	33,491	66	95	33,652
Cost of sales	(16,459)	(41)	(23)	(16,523)
Gross profit	17,032	25	72	17,129
Distribution cost				(1,234)
Administrative expenses				(6,428)
Finance cost				(1,979)
Other operating income				216
Profit before tax				7,704
Taxation				(1,195)
Net profit				6,509

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	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
The PRC (Note)	(1,023)	(826)	(1,512)	(1,195)
	(1,023)	(826)	(1,512)	(1,195)

Note:

Taxes in respect of net profit in the PRC are provided on the assessable net profit for the period under the applicable tax rate of 15% in the PRC.

There was no significant unprovided taxation in respect of the relevant period or as at the respective balance sheet date.

4. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend during the period (2002:Nil).

5. EARNINGS PER SHARE

The earnings per share for the three months and six months ended 30 June 2003 are RMB0.008 and RMB0.012 respectively. Calculations are based on earnings of RMB5,621,000 and RMB8,394,000 over the weighted average share capital of 680,000,000 shares in issue for the three months and six months ended 30 June 2003 respectively (2002: earnings of RMB4,680,000 and RMB6,509,000 over the weighted average share capital of 680,000,000 shares for the three months and six months ended 30 June 2002).

No diluted earning per share for the three months and six months respectively ended 30 June 2003 and the corresponding periods in 2002 have been presented because there were no dilutive potential ordinary shares in existence during the periods.

Interim Result

6. FIXED ASSETS

	As at 30 June 2003 RMB'000	As at 31 December 2002 RMB'000
At the beginning of period	70,916	39,456
Additions	2,737	34,971
Disposal	—	(284)
Depreciation	(1,465)	(3,309)
Elimination on disposal	—	82
At the end of period	72,188	70,916

7. INTANGIBLE ASSETS

	Land RMB'000	Technology RMB'000	As at 30 June 2003 RMB'000	As at 31 December 2002 RMB'000
At the beginning of the period	24,760	7,500	32,260	35,804
Addition	—	—	—	—
Amortisation	(105)	(1,666)	(1,771)	(3,544)
At the end of period	24,655	5,834	30,489	32,260

8. TRADE AND OTHER RECEIVABLES

	As at 30 June 2003 RMB'000	As at 31 December 2002 RMB'000
Trade receivables	11,339	16,061
Prepayments and deposits	2,348	2,567
Other receivables	7,990	9,363
	21,677	27,991

An aging analysis of trade receivables at the end of period is as follows:

	As at 30 June 2003 RMB'000	As at 31 December 2002 RMB'000
Within 90 days	11,327	12,876
Between 91 to 180 days	—	2,572
Between 181 to 365 days	12	613
Over 365 days	—	—
	11,339	16,061

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

Interim Result

9. TRADE AND OTHER PAYABLES

	As at 30 June 2003 RMB'000	As at 31 December 2002 RMB'000
Trade payables	7,019	4,694
Other payables	8,473	7,669
	15,492	12,363

An aging analysis of trade payables at the end of period is as follows:

	As at 30 June 2003 RMB'000	As at 31 December 2002 RMB'000
Within 90 days	6,348	4,122
Between 91 to 180 days	61	404
Between 181 to 365 days	159	131
Over 365 days	451	37
	7,019	4,694

10. SHARE CAPITAL

	As at 30 June 2003		As at 31 December 2002	
	No. of shares	RMB'000	No. of shares	RMB'000
Authorized				
Ordinary shares of RMB0.1 each	680,000,000	68,000	680,000,000	68,000
Issued and fully-paid at the end of period	680,000,000	68,000	680,000,000	68,000

The Company has completed the placing of H shares and was listed on GEM on 3 July 2003. Capital verification and changes in commercial and industrial registration are being processed, which is expected to be completed in August.

11. RESERVES

	Share capital	Capital reserve	Statutory	Statutory	Accumulated profits	As at	As at 31
			surplus reserve	welfare fund		30 June 2003	December 2002
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of period	68,000	16	4,518	2,258	23,607	98,399	93,843
Profit for the period						8,394	16,796
Dividend approved for the period ended 31 December 2002						—	(12,240)
At the end of period						106,793	98,399

Interim Result

12. PLEDGE OF ASSETS

As at 30 June 2003, RMB15,794,000 of properties, plant and equipments and RMB9,557,000 of land-use right were pledged to secure bank loans.

13. COMMITMENTS

(a) Capital commitments

	As at 30 June 2003 RMB'000	As at 31 December 2002 RMB'000
Capital expenditure in respect of property, plant and equipments		
— Authorized but not contracted for	30,313	30,313
— Contracted for but not provided in the financial statements	11,002	13,624
	41,315	43,937

(b) Operating lease arrangements

As at 30 June 2003, the Company had total future minimum lease payments under non-cancellable operating leases, regarding premises of production plant and office, falling due as follows:

	As at 30 June 2003 RMB'000	As at 31 December 2002 RMB'000
Within one year	308	350
In the second to fifth year inclusive	1,240	1,240
Over five years	1,028	1,163
	2,576	2,753

Dividends

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2003 (for the six months ended 30 June 2002: Nil).

Management Discussion and Analysis

Financial Review

For the six months ended 30 June 2003, the unaudited turnover is approximately RMB38,880,000 representing a growth of approximately 15.5% increase in turnover as compared with that of the same period in 2002. The improvement in the sales of the Company was due to its successful marketing efforts that provide the Company with good business development. The gross profit margin fell from 50% in the first half year of 2002 to 47% in the first half year of 2003 mainly due to a slight increase in the purchase price of raw material for FA-90. For the six months ended 30 June 2003, the Company recorded an unaudited net profit of approximately RMB8,394,000, representing a growth rate of approximately 29% as compared with the operating results of the same period in 2002. Other turnover for the period ended 30 June 2003 amounted to RMB407,000 mainly represented sales of 2-Ethylhexyl Thioglycolate.

Liquidity, financial resources and capital structure

As at 30 June 2003, the equity of shareholders of the Company was approximately RMB106,793,000 (2002: RMB98,399,000); cash at bank and in hand was RMB62,505,000 (2002: RMB59,233,000); current assets amounted to RMB90,620,000 (2002: RMB97,278,000) and current liabilities was RMB86,504,000, which mainly includes short-term bank loans of RMB67,300,000 due within one year.

Significant investment and material acquisition and disposal of subsidiaries

The Company did not hold material investments or had made any material acquisition and disposal of subsidiaries and associated companies during the six months ended 30 June 2003 and the same period last year.

Employees and remuneration policy

For the six months ended 30 June 2003, the staff remuneration of the Company was RMB1,630,000 (2002: RMB1,160,000) and the Company employed a total of 209 staff (2002: 205). Remuneration is determined by reference to the position and duties of the staff and individual's performance, qualification and experience. Discretionary bonus may be rewarded to employees by reference to their performance to recognize their contribution. Other benefits include the housing subsidy and the unemployment, medical and pension scheme as regulated by the social security system of the PRC government.

Management Discussion and Analysis

Pledge of assets

As at 30 June 2003, the land use right and the buildings of the Wei Nan Branch were pledged to secure a loan of RMB10,000,000 granted to the Company by the China Merchants Bank.

Application has been made to the banks and the banks have confirmed in writing that they have no objection in principle to the Company's applications that the guarantee provided by an independent third party would be replaced by the pledge of assets of the Company within three months after listing. Details of the assets pledged are set out in the table below:

Bank	Loan amount (RMB'000)	Assets pledged in application
Communication Bank	20,000	The land use right of the Technology Park of the Company ⁽¹⁾ and the property of Wei Nan Branch ⁽²⁾
China Merchants Bank	20,000	The Technology Park of the Company under construction
China Merchants Bank	10,000	The land use right of the Wei Nan Branch ⁽³⁾
China Construction Bank	12,800	The 2-Ethylhexyl Thioglycolate production line of Wei Nan Branch
China Industrial and Commercial Bank	4,500	Rooms 1501–1505 and 2501–2505, Qian Jin Building, Xi'an National Hi-Tech Industrial Development Zone, Xi'an, Shaanxi, the PRC
Total	67,300	

(1) located on the land at the eastern side of Gao Xin Liu Road, Xi'an National Hi-Tech Industrial Development Zone, Xi'an, Shaanxi, the PRC.

(2) located at the northern side of Chao Yang Da Street, Wei Nan Development District, Shaanxi, the PRC.

(3) The assets has been pledged. The bank is processing the release of independent third party guarantee.

Management Discussion and Analysis

Significant future investment plans and expected financial resources

Details of the significant future investment plans and the expected financial resources for capital expenses of the Company are set out in the section headed “Statement of Business Objectives” in the prospectus of the Company dated 23 June 2003 (“Prospectus”). Save as disclosed above, the Company had no other significant future investment plan as at 30 June 2003.

Capital Commitment

Details of capital commitment are set out in note 13 of the condensed interim results.

Gearing ratio

As at 30 June 2003, the gearing ratio of the Company (defined as the total borrowing over the net asset) was 63% (31 December 2002: 89%).

Foreign exchange exposure

The Directors believe that the Company is not exposed to any substantial foreign exchange risk since the revenue and expenses of the Company are settled and paid in RMB.

Contingent liabilities

As at 30 June 2003 and 30 June 2002, the Company had no material contingent liabilities.

Management Discussion and Analysis

Review of business objectives

For the six months ended 30 June 2003, the achievement of the Company was as follows:

Business development:

For the six months ended 30 June 2003, the Company concentrated its effort in the production and sales of the unlead gasoline additive FA-90. Sales revenue was RMB38,880,000, represented an increase of 15.5% over the same period of last year. Trial production and sale of 2-Ethylhexyl Thioglycolate has commenced in June.

Products and production:

The establishment of 2-Ethylhexyl Thioglycolate production facilities at Wei Nan branch of the Company was completed in April 2003. As at 30 June 2003, the Company has started the operation of the production facilities and already sold 23.608 tons amounted to RMB385,130.

Comparison between business objectives and actual business progress:

	Business objectives stated in the Prospectus	Actual progress as at 30 June 2003
Construction of new production facilities for FA-90 Core Components	To build the production plant	Construction has not yet been started as funds have not been raised*
The Technology building	To complete the last three floors	The technology building is still under construction due to SARS. It is expected to be completed by the end of the year
Production facilities for 2-Ethylhexyl Thioglycolate and oil-processing assistants at the Wei Nan Branch	To commence trial production of 2-Ethylhexyl Thioglycolate	The production facilities have commenced operation and 33.4125 tons are produced on a trial basis

* The Company was listed on GEM on 3 July 2003.

Management Discussion and Analysis

Future prospect:

The Company completed placing of H Shares and was listed on GEM on 3 July 2003. The Company obtained sufficient fund from the Placing for the construction of FA-90 Core Components to facilitate expansion of its capacity.

Given the rapid growth in the petroleum processing industry in the PRC, additive industry is one of the industries which will have the greatest potential during this century. The industry is still under an early stage of development and therefore it offers a promising opportunity to the Group. The Directors believe that the business objectives will be accomplished on the basis of expertise, management level and marketing ability of the Company.

Initially, the Company intended to establish the FA-90 Core Components facilities in the Technology park with an estimated investment of approximately RMB43,500,000. After due consideration, the Directors have decided, at the board meeting held on 12 August 2003, to propose to change the location for the establishment of FA-90 Core Components production facilities to the Wei Nan Branch for the best interest of shareholders based on the following reasons:

1. The gas supply required by the FA-90 Core Components production facilities is significant and there are existing utilities and ancillary facilities available at the Wei Nan Branch, such as water supply and water treatment facilities, power and gas supply for use in production. Hence, significant savings in investment and construction can be achieved and thereby reducing the production and operating costs to the Company.
2. The Wei Nan Branch is located in the Wei Nan Development Zone where contains mainly chemical industry. The infrastructures of the Zone, for example, water and power supply, emission facilities of waste gas and sewage system are specially designed to suit the development of chemical industry. The Directors believe that this will help long-term development of such project.

Management Discussion and Analysis

3. From an overall management perspective, the Directors believe that the concentration of the production projects will reduce management expenses and will be advantageous to operation as well as overall management. The efficiency of the Company's staff (including management of technology and chemical production) may also be maximized.

The aggregate investment amount and the production capacity of the new facilities will be in accordance with the original plan as stated in the Prospectus. The land of the Technology Park will be saved for other development depending on the future growth of the Company. However, save for the development plans stated in the Prospectus, the Company does not have other development for such piece of land.

Directors' and Supervisors interests in shares and underlying shares pursuant to equity derivatives

As at 30 June 2003 and immediately following completion of the Placing, the interests and short positions in shares, underlying shares or debentures of the Directors or supervisors of the Company in the registered capital of the Company and 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 & 8 of Part XV of the SFO (including interests and short positions which the 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 in that section, or (c) which will be required, pursuant to the minimum standards of dealing by the Directors as referred to in Rule 5.40 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) **Interest in shares**

Name	Company/name of associated corporation	Capacity	Number and class of securities	Percentage shareholding 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	Interest of controlled corporation	13,745,480 ordinary shares	98.18%

Other Information

Name	Company/name of associated corporation	Capacity	Number and class of securities	Percentage shareholding in the same class of securities
Wang 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%
Wang Feng	Company	Beneficial owner	2,000,000 domestic shares	0.22%
Zheng Yinglin	Company	Beneficial owner	2,000,000 domestic shares	0.22%
Yan Buqiang	Company	Beneficial owner	2,000,000 domestic shares	0.22%

Notes:

1. The 548,000,000 domestic shares are held by Fan Sen Property, which is beneficially owned as to 98% by Wang Cong. Wang Cong will be deemed to be interested in 548,000,000 domestic shares.
2. Tian Cheng Environmental is a subsidiary of Fan Sen Property, the holding company of the Company, and is thus an associated corporation of the Company.

(ii) ***Interests in underlying shares of Directors and supervisors under equity derivative instruments***

Save as disclosed above, for the six months ended 30 June 2003, no Directors or supervisors have been granted any rights to subscribe H shares of the Company.

Share Option Scheme

The Company has conditionally adopted the Share Option Scheme. The principal terms and conditions of the Share Option Scheme are set out in the section headed “Summary of the Share Option Scheme” in Appendix VI of the prospectus. As at 30 June 2003, no option has been granted pursuant to the share option scheme.

Save as disclosed above, none of the Directors and supervisors of the Company, as at 30 June 2003 and immediately following the completion of Placing, has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) (a) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 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 in that section, or (c) which will be required to notify the Company and the Stock Exchange pursuant to the minimum standards of dealing by the Directors as referred to in Rule 5.40 of the GEM Listing Rules.

Interests discloseable pursuant to SFO and Substantial Shareholders

As to the knowledge of the Directors and chief executives of the Company, as at 30 June 2003 and immediate following the completion of Placing, the persons or companies (other than Directors or chief executives of the Company) who have interests or short positions in the shares and underlying shares of the Company which will be required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or directly, or indirectly, interested in 10% or more of any class of shares of the Company which has the right to vote

Other Information

at the shareholders' general meeting of the Group in any circumstances or substantial shareholders as recorded in the register required to be kept by the Company under section 336 of the SFO were:

<u>Name</u>	<u>Capacity</u>	<u>No. of domestic shares</u>	<u>Percentage of shareholding</u>
Fan Sen Property	Beneficial owner	548,000,000	60.22%
Jing Dian Investment	Beneficial owner	120,000,000	13.19%
Ding Xianguang (<i>Note</i>)	Interest of controlled corporation	120,000,000	13.19%
Zhang Jianming (<i>Note</i>)	Interest of controlled corporation	120,000,000	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.

Save as disclosed above, none of the Directors and chief executives, as at 30 June 2003 and immediate following the completion of Placing, is aware of any person who has any interests or short positions in any shares or underlying shares of the Company which will be required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or directly, or indirectly, interested in 10% or more of any class of shares of the Company which has the right to vote at the shareholders' general meeting of the Company in any circumstances or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under section 336 of the SFO.

Within the moratorium periods under the GEM Listing Rules as stated in the prospectus of the Company, any transfer of the domestic shares held by Fan Sen Property, Jing Dian Investment, Wang Zheng, Guo Qiubao, Zheng Rongfang, Wang Feng, Zheng Yinglin and

Yan Buqiang cannot be registered. Pursuant to the restriction on disposal of the domestic shares by the abovementioned shareholders, the Company has filed the relevant documents with the Shaanxi AIC on 11 August 2003.

Competing interest

None of the Directors and management shareholders of the Company (within the meaning of the GEM Listing Rules) has an interest in any business which competes or may compete with the business in which the Company is engaged.

Sponsor's interest

As notified and updated by Core Pacific-Yamaichi Capital Limited ("CPY"), as at 30 June 2003, none of CPY, its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had an interest in the share capital of the Company or its subsidiaries.

Pursuant to the sponsor agreement dated 23 June 2003 entered into between CPY and the Company, CPY received, and will receive, 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 established an audit committee on 6 July 2002 with terms of reference in compliance with Rules 5.23 and 5.25 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 two independent non-executive Directors, Mr. Li Gangjian and Mr. Hu Yangxiong and one executive Director, Ms. Zheng Rongfang with Mr. Hu Yangxiong as the chairman.

Other Information

Board Practices and Procedures

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM listing Rules since the shares of the Company were listed on the GEM of the Stock Exchange on 3 July 2003.

Repurchase, sale or redemption of listed securities of the Company

During the six months ended 30 June 2003 there was no purchase, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries.

By order of the Board

Shaanxi Northwest New Technology Industry Company Limited

Wang Cong

Chairman

12 August 2003

Xi'an, the People's Republic of China