



**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 THIRD QUARTERLY 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.

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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 ended 30 September 2003, the turnover was RMB62,060,000, representing an increase of 4.0% over the same period of last year;
- For the nine months ended 30 September 2003, the net profit was RMB14,378,000, representing an increase of 11.6% over the same period of last year;
- The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2003.

## Third Quarterly Result

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 ended 30 September 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 nine months ended 30 September 2003*

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Turnover	2	<b>23,180</b>	26,015	<b>62,060</b>	59,667
Cost of sales	2	<b>(12,614)</b>	(13,677)	<b>(33,280)</b>	(30,200)
Gross profit		<b>10,566</b>	12,338	<b>28,780</b>	29,467
Subsidy income	3	<b>800</b>	—	<b>800</b>	—
Other operating income		<b>109</b>	32	<b>415</b>	248
Distribution costs		<b>(312)</b>	(1,173)	<b>(1,566)</b>	(2,407)
Administrative expenses		<b>(3,327)</b>	(2,188)	<b>(8,203)</b>	(8,616)
Profit from operations		<b>7,836</b>	9,009	<b>20,226</b>	18,692
Finance costs		<b>(869)</b>	(1,501)	<b>(3,353)</b>	(3,480)
Profit before taxation		<b>6,967</b>	7,508	<b>16,873</b>	15,212
Taxation	4	<b>(983)</b>	(1,129)	<b>(2,495)</b>	(2,324)
Net profit		<b>5,984</b>	6,379	<b>14,378</b>	12,888
Earnings per share	5	<b>RMB0.007</b>	RMB0.009	<b>RMB0.019</b>	RMB0.019

# Third Quarterly Result

## Notes to condensed accounts

### 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The principal accounting policies and calculation method adopted in the preparation of this quarterly accounts are consistent with those adopted in the annual accounts 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 implementing 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 the current period.

# Third Quarterly Result

## 2. SEGMENTAL INFORMATION

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

For the nine months ended 30 September 2003

	FA-90	FA-D	FA-J	Ferrocene	2-ethylhexyl thioglycolate and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	60,342	347	88	70	1,213	62,060
Cost of sales	(31,578)	(220)	(64)	(62)	(1,356)	(33,280)
Gross profit	28,764	127	24	8	(143)	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

# Third Quarterly Result

For the nine months ended 30 September 2002

	FA-90	FA-D	Ferrocene	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	59,462	78	127	59,667
Cost of sales	(30,099)	(48)	(53)	(30,200)
Gross profit	29,363	30	74	29,467
Distribution costs				(2,407)
Administrative expenses				(8,616)
Finance costs				(3,480)
Other operating income				248
Profit before taxation				15,212
Taxation				(2,324)
Net profit				12,888

### 3. SUBSIDY INCOME

This income represented the value-added tax rebated to the Company by the local taxation bureau of Wei Nan according to preferential tax policies.

# Third Quarterly Result

## 4. TAXATION

Taxes charged from the balance sheet are as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
The PRC ( <i>Note</i> )	983	1,129	2,495	2,324

*Note:* Taxes in respect of profit derived in the PRC are provided on the estimated assessable profit for the period under the applicable tax rate of 15% in the PRC.

## 5. 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	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Net profit for the period	5,984	6,379	14,378	12,888

Weighted average number of  
ordinary shares for the  
purpose of basic earnings  
per share

	910,000,000	680,000,000	756,666,666	680,000,000
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No diluted earnings per share has been presented as there were no potential dilutive shares in 2003 and 2002.

# Third Quarterly Result

## 6. SHARE CAPITAL

	Number of shares		Registered, issued and fully paid RMB'000
	Domestic shares	H shares	
Ordinary shares of RMB0.10 each			
At 1 January 2003	680,000,000	—	68,000
Issuance of H shares at listing on the GEM of the Stock Exchange	—	230,000,000	23,000
At 30 September 2003	680,000,000	230,000,000	91,000

## 7. RESERVES

	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Statutory welfare fund RMB'000	Accumulated profits RMB'000	As at 30 September 2003 RMB'000	As at 31 December 2002 RMB'000
At the beginning of the period	68,000	16	4,518	2,258	23,607	<b>98,399</b>	93,843
Profit for the period	—	—	—	—	14,378	<b>14,378</b>	16,796
New issue	23,000	23,543	—	—	—	<b>46,543</b>	
Dividend paid for year 2002	—	—	—	—	(3,400)	<b>(3,400)</b>	(12,240)
At the end of the period	91,000	23,559	4,518	2,258	34,585	<b>155,920</b>	98,399

## 8. PLEDGE OF ASSETS

Bank	Loan amount (RMB'000)	Condition 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

## 9. COMMITMENTS

### (a) Capital commitments

	As at 30 September 2003 RMB'000	As at 31 December 2002 RMB'000
Capital expenses of property, plant and machinery		
— Authorised but not contracted for	30,313	30,313
— Contracted for but not provided for in the financial statements	10,325	13,624
	<b>40,638</b>	43,937

## Third Quarterly Result

### (b) Operating lease commitments

At 30 September 2003, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>As at 30 September 2003</b>	<b>As at 31 December 2002</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>	350
After 1 year but not more than 5 years	<b>1,240</b>	1,240
After 5 years	<b>960</b>	1,163
	<b>2,510</b>	2,753

### Dividend

The Directors do not recommend the payment of any dividend for the three months and nine months ended 30 September 2003 (For the nine months ended 30 September 2002: Nil).

# Management Discussion and Analysis

## Financial Review

For the nine months ended 30 September 2003, the unaudited turnover was RMB62,060,000, representing a growth of 4.0% as compared with the same period of last year. For the nine months ended 30 September 2003, the Company recorded an unaudited net profit of RMB14,378,000, representing a growth of 11.6% as compared with the same period of last year. The gross profit margin was 46.4%, as compared to the 49.4% of the same period of last year. The growth of net profit was mainly due to (1) the increased sales efforts and expanded sales market. Also, the sales of 2-ethylhexyl thioglycolate was increased which contributed to the increase of revenue; and (2) the operating expenses was comparatively lower than the same period of last year.

For the three months ended 30 September 2003, the unaudited turnover was RMB23,180,000, representing a decrease of 10.9% as compared with the same period of last year. The decrease was mainly due to the decrease of sales to major customers which was at regular repair and maintenance period during the quarter, hence, the turnover has decreased.

## Review of Business Objectives

As at 30 September 2003, the Company has obtained the following achievements:

### Business development:

For the nine months ended 30 September 2003, the Company concentrated its effort on the production and sales of the unlead gasoline additive FA-90. Sales revenue was RMB60,342,000, represented an increase of 1.5% over the same period of last year.

### Products and production:

For the nine months ended 30 September 2003, the Company produced 76.0 tonnes of 2-ethylhexyl thioglycolate. The Company has already sold 68.6 tonnes and generated sales revenue of RMB1,092,000.

## Management Discussion and Analysis

### **Comparison between business objectives and actual business progress:**

Construction of new production facilities for FA-90 Core Components: Pursuant to the resolution passed by the Board on 12 August 2003, the Company transferred its production facilities for FA-90 core components to the Wei Nan Branch. The Company is actively engaged in the pre-stage preparation work, including the planning and design of the production site in the factory area, and the land preparation work was completed. The project is undergoing currently.

The Technology building is still under construction, and the last three floors are expected to be completed by the end of this year as scheduled.

The research and development of 2-ethylhexyl thioglycolate and oil processing-assistants: Based on the experience of 2-ethylhexyl thioglycolate production, the Company continues to improve the production process and strengthen the management in order to raise its production capacity. The Company has also conducted further research on the application of 2-ethylhexyl thioglycolate with a view to test and apply it in new areas and industries, thus enlarging its sales market.

### **Future prospects:**

For the coming quarter, the Company will conform to the decisions made by the Board and continue to solidify and expand the production and sales of FA-90, as well as to accelerate the construction of FA-90 production facilities. On the other hand, the Company will also closely monitor the production and sales of 2-ethylhexyl thioglycolate, and further expand the application scope and sales market of 2-ethylhexyl thioglycolate. By emphasizing technology development and internal management, the Company will succeed in realising its business objectives.

### Directors' and Supervisors interests in shares

Save as disclosed below, none of the Directors or supervisors, as at 30 September 2003, has any interests or short positions in any 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 & 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 therein; or (c) which will be required to notify to the Company and the Stock Exchange as required in Rules 5.40 to 5.58 of the GEM Listing Rules:

#### (i) Interests 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%
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%

## Other Information

### 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.

### Directors' and Supervisors' interests in underlying shares under equity derivatives

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

### Interests discloseable pursuant to SFO and Substantial Shareholders

Save as disclosed below, none of the Directors and chief executives, as at 30 September 2003, is aware of any person who has any interests or short positions in any 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:

<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.

### **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 September 2003, no option has been granted pursuant to the share option scheme.

### **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”), the Company’s sponsor, pursuant to Rule 6.35 of the GEM Listing Rules, as at 30 September 2003, Core Pacific - Yamaichi Securities Co., Ltd. and Core Pacific - Yamaichi International (H.K.) Limited, associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) of CPY, held 340,000 shares and 9,000,000 shares respectively in the Company. Save as disclosed herein, neither CPY nor its directors or employees or associates had any interest in the share capital of the Company as at 30 September 2003. Pursuant to the sponsor agreement dated 23 June 2003 entered into between CPY and the Company, CPY 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.

## Other Information

### Audit Committee

The Company established an audit committee on 6 July 2002 with terms of reference in compliance with Rules 5.23 to 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.

### 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 on 3 July 2003.

### Purchase, sale or redemption of securities

During the nine months ended 30 September 2003, there was no purchase, sales or redemption of the Company's listed securities by the Company.

By order of the Board

**Shaanxi Northwest New Technology Industry Company Limited\***

**Wang Cong**

*Chairman*

12 November 2003

Xi'an, the People's Republic of China