



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 First Quarterly Report

* for identification purposes only

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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 (“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: (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
9	Management Discussion and Analysis
10	Other Information





SUMMARY

- For the three months ended 31 March 2005, the Company has achieved a turnover of approximately RMB178,000, a decrease of 99% over the corresponding period of last year;
- For the three months ended 31 March 2005, a loss of approximately RMB4,089,000 was incurred;
- The Directors do not recommend the payment of any dividend for the three months ended 31 March 2005.

FINANCIAL INFORMATION

Unaudited Results

The board of Directors (the “Board”) of Shaanxi Northwest New Technology Industry Company (the “Company”) hereby presents the unaudited operating results of the Company for the three months ended 31 March 2005 and the comparative unaudited figures for the corresponding period in 2004 as follows:

Unaudited Profit and Loss Account

	Note	For the three months ended 30 March	
		2005 RMB'000	2004 RMB'000
Turnover	2	178	16,397
Cost of sales	2	(150)	(8,493)
Gross profit		28	7,904
Government subsidy		—	—
Other operating income		(19)	87
Distribution costs		(239)	(503)
Administrative expenses		(3,048)	(2,650)
Operating profit		(3,278)	4,838
Finance costs		(811)	(896)
Profit before taxation		(4,089)	3,942
Taxation	3	—	(591)
Net profit/(loss)		(4,089)	3,351
Dividend	4	—	—
Earnings/(Loss) per share	4	RMB(0.004)	RMB0.004



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

In preparing the statements for the first quarter, the accounting policies adopted and the calculations are consistent with those for the preparation of the statements for the year ended 31 December 2004, save and except the Statement of Standard Accounting Practice No. 12 “Income Tax” (as amended) (“Accounting Practice No. 12 (as amended)”).

The principal effect of Accounting Practice No. 12 (as amended) is relating to the deferred taxation. In prior years, there has not been any material deferred taxation not provided for the relevant periods or as at the respective balance sheet dates. Accounting Practice No. 12 (as amended) requires that balance sheet date liabilities accounting should be adopted, in order that deferred taxation arising from the temporary difference between the book value in relation to all the assets and liabilities in the financial statements and the taxation basis adopted accordingly in calculating the assessable profit (under limited exceptional circumstances) be recognized. Adopting Accounting Practice No. 12 (as amended) has no material effect on the results of the current or prior accounting periods.

Certain comparative figures have been reclassified in line with the manner the accounts are stated for this period.

2. SEGMENTAL INFORMATION

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

	For the three months ended 31 March 2005	
	FA-90 and others	Total (RMB'000)
Turnover	178	178
Cost of sales	(150)	(150)
Gross profit	28	28
Distribution costs		(239)
Administrative expenses		(3,048)
Finance costs		(811)
Other operating income		(19)
Profit/(loss) before taxation		(4,089)
Taxation		—
Net profit		(4,089)

	For the three months ended 31 March 2005					
	FA-90 (RMB'000)	FA-D (RMB'000)	FA-J (RMB'000)	Ferrecene (RMB'000)	2-ethylhexyl thioglycolate (RMB'000)	Total (RMB'000)
Turnover	13,354	303	46	1	2,693	16,397
Cost of sales	(6,547)	(248)	(37)	(1)	(1,660)	(8,493)
Gross profit	6,807	55	9	0	1,033	7,904
Distribution costs						(503)
Administrative expenses						(2,650)
Finance costs						(896)
Other operating income						87
Profit before taxation/(loss)						3,942
Taxation						(591)
Net profit						3,351

3. TAXATION

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

	For the three months ended	
	31 March	
	2005	2004
	RMB'000	RMB'000
The PRC (Note)	—	(591)

Note: Taxes payable in respect of PRC profit tax have been provided at the applicable rate of the PRC on the assessable profit.

4. CALCULATION OF EARNINGS PER SHARE AS FOLLOWS:

	For the three months ended	
	31 March	
	2005	2004
	RMB	RMB
Net profit for the period	(4,089,000)	3,351,000
Weighted average number of ordinary shares for the purpose of basic earnings per share	910,000,000	910,000,000

No diluted earnings per share has been presented as there were no potential dilutive shares for the three months ended 31 March 2005 and 31 March 2004.

5. SHARE CAPITAL

	Number of shares		Registered, issued and fully paid RMB
	Domestic shares	H shares	
Ordinary shares of RMB0.1 each			
At 1 January 2005	680,000,000	230,000,000	91,000,000
At 31 December 2005	680,000,000	230,000,000	91,000,000

6. CHANGES IN EQUITY

	Paid-up share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Statutory welfare reserve RMB'000	Accumulated profit RMB'000	As at 31 March 2005 RMB'000	As at 31 March 2004 RMB'000
At the beginning of the period	91,000	25,880	6,367	3,183	43,754	170,184	160,334
Profit for the period	—	—	—	—	(4,089)	(4,089)	12,125
New issue	—	—	—	—	—	—	—
Payment of dividend for 2004	—	—	—	—	—	—	(2,275)
At the end of the period	91,000	25,880	6,367	3,183	39,665	166,095	170,184

7. PLEDGE OF ASSETS

Bank	Loan amount (RMB'000)	Status of pledge
Bank of Communication	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 three months ended 31 March	
	2005 RMB'000	2004 RMB'000
Capital expenses of property, plant and equipment		
Authorized but not contracted for	—	—
Contracted but not provided for in the financial statements	3,611	3,693

(b) **Operating lease commitments**

At 31 March 2005, the Company had total future minimum lease payments under non-cancelable operating leases falling due as follows:

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

	For the three months ended 31 March	
	2005	2004
	Production plant and office buildings	Production plant and office buildings
	RMB'000	RMB'000
Within 1 year	217	345
After 1 year but not more than 5 years	1,498	1,240
After 5 years	52	109

9. DIVIDEND

The Directors do not recommend the payment of any dividend for the three months ended 31 March 2005 (For the three months ended 31 March 2004: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Business Review

For the three months ended 31 March 2005, the unaudited turnover of the Company was approximately RMB178,000, representing a decrease of 99% over the corresponding period of last year. The unaudited loss for the three months ended 31 March 2005 was RMB4,089,000. The drastic decrease in net profit attributed to the reason that the principal bankers of the Company has obtained an order from the court to freeze the bank account of the Company with an aggregate deposit of approximately RMB64 million. The bankers concerned about the legal proceedings between Northwest Group (as defined hereinafter) and Jing Dian Investment (as defined hereinafter) might affect the Company's repayment ability of the loans owed to the bankers. Details of the legal proceedings have been disclosed by the Company in the reports dated 18 May 2004, 24 December 2004 and 21 April 2005 respectively. Therefore, the normal operations of the Company could not be carried out, hence the drastic plunge of its turnover for the first quarter.

Prospects:

- (a) *Future significant Investment Plans and expected Capital Sources*

Details of the future significant investments and expected capital sources are set out in the section headed "Statement of Business Objectives" in the prospectus of the Company dated 23 June 2003. Save as disclosed, there was no other significant investment plan as at 31 March 2005.

- (b) *Acquisition and disposal of Substantial Investments Held and Substantial Subsidiaries*

As at 31 March 2005 and the corresponding period of last year, there was no significant investment or significant acquisition or disposal of subsidiaries and associates of the Company.

DISCLOSURE OF INTERESTS

Interests of the Directors, supervisors and chief executives

As at 31 March 2005, the Directors, supervisors and chief executives have the following interests or short positions in shares, underlying shares or debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance) (the "SFO") (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 Rules 5.46 of the GEM Listing Rules in respect of securities transactions by Directors of Companies:

Name	Company/name of associated corporation	Nature	Number and class of securities	Shareholding Percentage of 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 Environment	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%



Notes:

1. The 548,000,000 domestic shares 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.
2. Tian Cheng Environment Company ("Tian Cheng Environment") is a 98% owned subsidiary of Northwest Group, the holding company of the Company, and is thus an associated corporation of the Company.

During the three months ended 31 March 2005, none of the Directors, chief executives or supervisors has been granted any rights to subscribe the H shares of the Company.

Substantial Shareholders

Save as disclosed below, as at 31 March 2005, 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 Division 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:

Interests in domestic shares (long positions):

Name	Nature	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 Shannxi Jing Dian Investment Company Limited ("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.

Interests in H shares (long positions):

Name	Capacity	Number of H shares	Percentage of shareholding
Lin Ko Ming	Beneficial owner	12,000,000 shares	5.22%

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 of the prospectus. As at 31 March 2005, no share option has been granted under the share option scheme.

COMPETING INTEREST

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

COMPLIANCE ADVISOR’S INTEREST

As notified and updated by Core Pacific-Yamaichi Capital Limited (“CPY Capital”), Core Pacific-Yamaichi International (H.K.) Limited, 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 of 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 31 March 2005.

Pursuant to the sponsor agreement dated 23 June 2003 entered into between the Company and CPY Capital, CPY Capital receives fees for acting as the Company’s compliance advisor 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 5.28 and 5.29 of the GEM Listing Rules. The committee has defined 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 the relevant 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, and is chaired by Mr. Hu Yangxiong.

BOARD PRACTICES AND PROCEDURES

For the three months ended 31 March 2005, the Company has complied with board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

The Company had not purchased, sold or redeem any of the Company's listed securities during the three months ended 31 March 2005.

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

X'ian, the People's Republic of China, 13 May 2005.



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

Executive directors:

Mr. Wang Cong, Mr. Wang Zheng, Mr. Guo Quibao, Ms. Zheng Rongfang and Mr. Wang Feng;

Non-executive directors:

Mr. Guo Bin; and

Independent non-executive directors:

Mr. Hu Yangxiong, Mr. Li Gangjian and Mr. Su Yuanquan