



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)

First Quarterly 2006 Report

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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 three months ended 31 March 2006, a turnover of RMB10,470,000 was recorded, representing an increase of 5,700% over the same period of the previous year;
- For the three months ended 31 March 2006, a profit of RMB450,000 was recorded; and
- The Directors do not recommend the payment of any dividend for the three months ended 31 March 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 ended 31 March 2006 and the comparative unaudited figures for the corresponding period in 2005 as follows:

Unaudited Profit and Loss Account

		For the three months ended 31 March	
		2006	2005
	<i>Note</i>	RMB'000	<i>RMB'000</i>
Turnover	2	10,470	178
Cost of sales	2	(7,601)	(150)
Gross profit		2,869	28
Government subsidies		-	-
Other operating income		-	(19)
Distribution costs		(40)	(239)
Administrative expenses		(1,515)	(3,048)
Operating profit		1,314	(3,278)
Finance costs		(775)	(811)
Profit before taxation		539	(4,089)
Taxation	3	-	-
Net profit/(loss)		539	(4,089)
Dividend		-	-
Earnings/(Loss) per share	5	RMB0.001	RMB(0.004)

NOTES TO THE CONDENSED ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The accounting policies and computation methods for preparing these quarterly accounts were consistent with those adopted in the preparation of annual accounts for the year ended 31 December 2005, with the exception of adoption of the Statements of Standard Accounting Practice (SSAP) No.12 Income Tax (revised) ("SSAP 12 (revised)") issued by the Hong Kong Institute of Certified Public Accountants.

The principal effect of the implementation of SSAP 12 (revised) is on deferred tax. In previous years, no material unprovided deferred tax existed in the relevant periods or on respective balance sheet dates. SSAP 12 (revised) requires the adoption of the balance sheet liability method, whereby deferred tax, with a few exceptions, is recognized in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

The adoption of SSAP 12 (revised) has no material effect on the results of the current or prior accounting periods.

2. SEGMENT INFORMATION

The turnover and results of the Company for the period is analyzed by business segments as follows:

For the three months ended 31 March 2006

	FA-90 and others RMB'000	Total RMB'000
Turnover	10,470	10,470
Cost of sales	(7,601)	(7,601)
Gross profit	2,869	2,869
Distribution costs		(40)
Administrative expenses		(1,515)
Finance costs		(775)
Other operating income		-
Profit/(Loss) before taxation		539
Taxation		-
Net profit		539

For the three months ended 31 March 2005

	FA-90 and others RMB'000	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		<u>(4,089)</u>

3. TAXATION

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

	For the three months ended 31 March	
	2006	2005
	RMB'000	RMB'000
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. EARNINGS PER SHARE

	For the three months ended 31 March	
	2006	2005
	RMB'000	RMB'000
Net profit for the period	<u>539</u>	<u>(4,089)</u>
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 2006.

5. SHARE CAPITAL

	Number of shares		Registered, issued and fully paid <i>RMB'000</i>
	Domestic share	H Share	
Ordinary shares of RMB0.1 each			
As at 1 January 2006	680,000,000	230,000,000	91,000
As at 31 March 2006	<u>680,000,000</u>	<u>230,000,000</u>	<u>91,000</u>

6. PLEDGES OF ASSETS

Bank	Loan amount <i>RMB'000</i>	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

7. COMMITMENTS

(a) Capital commitments

	For the three months ended 31 March	
	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Capital expenses of property, plant and equipment		
Authorized but not contracted for	-	-
Contracted for but not provided for in the financial statements	<u>12,571</u>	<u>3,611</u>

(b) Operating leases commitments

As at 31 March 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:

	For the three months ended 31 March	
	2006	2005
	Production plants and office buildings RMB'000	Production plants and office buildings RMB'000
Within 1 year	310	217
After 1 year but not more than 5 years	1,317.50	518
After 5 years	—	—

8. DIVIDEND

The Directors do not recommend the payment of any dividend for the three months ended 31 March 2006 (for the three months ended 31 March 2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the three months ended 31 March 2006, the Company recorded an unaudited turnover of RMB10,470,000, representing an increase of 5,700% over the corresponding period of the previous year. Unaudited profit of RMB540,000 was achieved for the three months ended 31 March 2006. The drastic increase in net profit was mainly attributable to the Company's resumption of production and operation and the restart of business with some of the previous customers.

Review of Business Objectives

As at 31 March 2006, business progress attained by the Company was as follows:

The drastic increase in net profit was mainly attributable to the Company's resumption of production and operation, and the restart of business with some of the previous customers. Due to rebuilding of relation with its customers and rise in raw material prices, gross profit was lower than prior to the suspension of production.

Significant Future Investment Plans and Expected Sources of Capital

There was no other significant investment plan as at 31 March 2006.

Acquisition and Disposal of Substantial Investments and Subsidiaries

For the three months ended 31 March 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 31 March 2006, 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 entire issued domestic shares	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%
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 Yinglin	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	Xi'an Tian Cheng Environmental Technology Development Company Limited (西安天成環保科技發展有限公司) (Note 2)	Interest of controlled corporation	13,745,480 ordinary shares	98.18%

Notes:

1. The 548,000,000 domestic shares are held by Shaanxi Northwest Industry (Group) Company Limited (陝西西北實業(集團)公司) ("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 three months ended 31 March 2006.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST

As at 31 March 2006, the persons (other than the 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 entire issued domestic shares	Approximate shareholding percentage in the entire issued share capital of the Company
Northwest Group	Beneficial owner	548,000,000	80.58%	60.22%
Shaanxi Jing Dian Investment Company Limited (陝西精典投資有限公司) ("Jing Dian 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 entire issued H shares	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 31 March 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.

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 5.29 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 first quarterly accounts for the three months ended 31 March 2006 have 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 three months ended 31 March 2006.

By order of the Board

Shaanxi Northwest New Technology Industry Company Limited*
Wang Cong
Chairman

Xi’an, the People’s Republic of China, 15 May 2006

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

<i>Executive Directors:</i>	<i>Mr. Wang Cong, Mr. Wang Zheng, Mr. Guo Qiubao, Ms. Zheng Rongfang and Mr. Wang Feng</i>
<i>Non-executive Director:</i>	<i>Mr. Guo Bin</i>
<i>Independent non-executive Directors:</i>	<i>Mr. Hu Yangxiong, Mr. Li Gangjian and Mr. Su Yuanquan</i>

** For identification purpose only*