



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 2007 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 2007, a turnover of RMB10,910,000 was recorded, representing an increase of 4.25% over the same period of the previous year;
- For the three months ended 31 March 2007, a profit of RMB330,000 was recorded; and
- The Directors do not recommend the payment of any dividend for the three months ended 31 March 2007.

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 2007 and the comparative unaudited figures for the corresponding period in 2006 as follows:

Unaudited Profit and Loss Account

| | Note | For the three months ended 31 March | |
|---------------------------|------|--|-----------------|
| | | 2007 RMB'000 | 2006 RMB'000 |
| Turnover | 2 | 10,915 | 10,470 |
| Cost of sales | 2 | 8,186 | (7,601) |
| Gross profit | | 2,729 | 2,869 |
| Government subsidies | | - | - |
| Other operating income | | - | - |
| Distribution costs | | (252) | (40) |
| Administrative expenses | | (1,370) | (1,515) |
| Operating profit | | 1,107 | 1,314 |
| Finance costs | | (776) | (775) |
| Profit before taxation | | 331 | 539 |
| Taxation | 3 | - | - |
| Net profit/(loss) | | 331 | 539 |
| Dividend | | - | - |
| Earnings/(Loss) per share | 5 | RMB0.0003 | RMB0.001 |

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 2006, 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 pro fit. The adoption of SSAP 12 (revised) has no material effect on the results of the current or prior accounting periods.

Certain comparative figures have been reclassified to conform with the presentation of this period.

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 2007

| | FA-90 and others RMB'000 | Total RMB'000 |
|-------------------------------|---|--------------------------|
| Turnover | 10,915 | 10,915 |
| Cost of sales | 8,186 | 8,186 |
| | <hr/> | <hr/> |
| Gross profit | 2,729 | 2,729 |
| Distribution costs | | (252) |
| Administrative expenses | | (1,370) |
| Finance costs | | (776) |
| Other operating income | | - |
| | | <hr/> |
| Profit/(Loss) before taxation | | 331 |
| Taxation | | - |
| | | <hr/> |
| Net profit | | 331 |

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) |
| | <hr/> | <hr/> |
| Gross profit | 2,869 | 2,869 |
| Distribution costs | | (40) |
| Administrative expenses | | (1,515) |
| Finance costs | | (775) |
| Other operating income | | - |
| | | <hr/> |
| Profit/(Loss) before taxation | | 539 |
| Taxation | | - |
| | | <hr/> |
| Net profit | | <u>539</u> |

3. TAXATION

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

| | For the three months ended 31 March | |
|------------|--|----------|
| | 2007 | 2006 |
| | 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 | |
|--|--|--------------------|
| | 2007 | 2006 |
| | RMB'000 | RMB'000 |
| Net profit for the period | <u>331</u> | <u>539</u> |
| Weighted average number of ordinary shares used to calculate basic 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 2007.

5. SHARE CAPITAL

| | Number of shares | | Registered, issued and fully paid RMB'000 |
|--------------------------------|--------------------|--------------------|--|
| | Domestic share | H Share | |
| Ordinary shares of RMB0.1 each | | | |
| As at 1 January 2007 | 680,000,000 | 230,000,000 | 91,000 |
| As at 31 March 2007 | <u>680,000,000</u> | <u>230,000,000</u> | <u>91,000</u> |

6. 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 |

7. COMMITMENTS

(a) Capital commitments

| | For the three months ended 31 March | |
|--|--|---------------|
| | 2007 | 2006 |
| | RMB'000 | RMB'000 |
| Capital expenses of property, plant and equipment | | |
| Authorized but not contracted for | - | - |
| Contracted for but not provided for in the financial statements | 12,598 | 12,571 |
| | <u>12,598</u> | <u>12,571</u> |

(b) Operating leases commitments

As at 31 March 2007, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | For the three months ended 31 March | |
|--|---|--|
| | 2007 | 2006 |
| | Production plants and office buildings RMB'000 | Production plants and office buildings RMB'000 |
| Within 1 year | - | 310 |
| After 1 year but not more than 5 years | - | 1,317.50 |
| After 5 years | - | - |
| | <u>-</u> | <u>-</u> |

The minimum lease payments for the year under operational lease was RMB85,000.

8. DIVIDEND

The Directors do not recommend the payment of any dividend for the three months ended 31 March 2007 (for the three months ended 31 March 2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the three months ended 31 March 2007, the Company recorded an unaudited turnover of RMB10,910,000, representing an increase of 4.25% over the corresponding period of the previous year. Unaudited profit of RMB330,000 was achieved for the three months ended 31 March 2007. The decrease in net profit as compared to prior year was mainly due to the 22 days vacation granted to the Wei Nan Branch for the spring festival, and the Company has temporarily suspended production throughout the vacation.

REVIEW OF BUSINESS OBJECTIVES

As at 31 March 2007, business progress attained by the Company was as follows:

The Company has committed to develop its business which gave rise to an increase in distribution costs. In addition, there was equipment transferred to fixed assets in the first quarter which resulted in a higher depreciation charge. Our production capacity have expanded, however, the spring vacation led to a profit slightly less than that of last year.

SIGNIFICANT FUTURE INVESTMENT PLANS AND EXPECTED SOURCES OF CAPITAL

There was no other significant investment plan as at 31 March 2007.

ACQUISITION AND DISPOSAL OF SUBSTANTIAL INVESTMENTS AND SUBSIDIARIES

For the three months ended 31 March 2007 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 2007, 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 (Note 1) | Interest of controlled corporation | 548,000,000 | 80.58% | 60.22% |
| Wang Zheng (Note 2) | Beneficial owner | 2,000,000 | 0.29% | 0.22% |
| Guo Qiubao (Note 2) | 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 (Note 3) | 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 | 13,745,460 ordinary shares | 98.18% |

Notes:

1. The 548,000,000 domestic shares are held by Xi'an Northwest Industry (Group) Company Limited (西安西北實業(集團)公司) (formerly known as Xi'an Fan Sen Property Development Company Limited (西安凡森置業發展有限公司)) ("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. Pursuant to the resolution passed by shareholders of the Company in the annual general meeting held on 2 June 2006, Wang Zheng and Guo Qiubao were removed from the positions of executive director of the Company.
3. Tian Cheng Environmental Technology Development Company Limited (天成環保科技發展有限公司) is a 98% owned 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 2007.

INTERESTS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 March 2007, 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)

Substantial shareholders

| 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 2007, 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 5.23 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 two independent non-executive Directors, namely Mr. Li Gangjian and Mr. Wei Dazhi and one non-executive Director, namely Ms. Zheng Rongfang. Mr. Li Gangjian is the chairman of the audit committee. The unaudited first quarterly accounts for the three months ended 31 March 2007 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 2007.

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

Xi'an, the People's Republic of China, 10 May 2007

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

Executive directors: Mr. Wang Cong, Mr. Wang Feng, Mr. Gao Peng, and Mr. Yang Xiaohuai

Non-executive directors: Mr. Guo Bin and Ms. Zheng Rongfang

Independent non-executive directors: Mr. Li Gangjian, Mr. Chen Tao and Mr. Wei Dazhi

* *For identification purpose only*