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)

Annual Report
2014

* For identification purposes only

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This report, for which the directors (the "Directors") of Shaanxi Northwest New Technology Industry Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement herein or this report misleading

CONTENT

CORPORATE INFORMATION

DIRECTORS OF THE COMPANY

Executive Directors
Mr. Wang Cong *(Chairman)*
Mr. Wang Feng
Mr. Yang Xiaohuai
Ms. Tian Lingling

Independent non-executive Directors
Mr. Li Gangjian
Mr. Zhao Boxiang
Prof. Zhao Xiaoning

SUPERVISORS

Mr. Zeng Yinglin
Mr. Zhang Xiaoping
Ms. Xing Manli

INDEPENDENT SUPERVISORS

Mr. Duan Lin
Mr. Wang Gongxun

AUDIT COMMITTEE

Mr. Li Gangjian
Mr. Zhao Boxiang
MS. Zhao Xiaoning

COMPLIANCE OFFICER

Mr. Wang Feng

AUTHORIZED REPRESENTATIVES

Mr. Wang Cong
Mr. Wang Feng

AUDITOR

Elite Partners CPA Limited

LEGAL ADVISORS

As to PRC law
Jiayuan Law Firm, Beijing

As to Hong Kong law
Cheung & Lee
In association with
Locke Lord (HK) LLP

REGISTERED OFFICE

No.6, Gao Xin Yi Road
Xi'an National Hi-tech Industrial Development Zone
Xi'an, Shaanxi
The PRC

Principal Place of Business in China
No. 6, Gao Xin Yi Road
Xi'an National Hi-tech Industrial Development Zone
Xi'an, Shaanxi
The PRC

Principal Place of Business in Hong Kong
Room 509, 5th floor
Peninsula Centre
67 Mody Road
Tsim Sha Tsui, Kowloon,
Hong Kong

Stock Code
8258

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

China Construction Bank
(Jinhua Road Branch)
No. 117, Jinhua North Road
Xi'an, Shaanxi, the PRC

China Everbright Bank (Taibai Road Branch)
No. 1 Kechuang Road, Yanta Dirstrict
Xi'an, Shaanxi, the PRC

Bank of Xi'an (Gaoxin Branch)
No. 27 Keji Road Xi'an, Shaanxi, the PRC

CHAIRMAN'S STATEMENT

Dear Shareholders:

On behalf of the board (the "Board") of directors of Shaanxi Northwest New Technology Industry Company Limited (the "Company"), I hereby present the annual report of the Company for the year ended 31 December 2014.

OPERATING PERFORMANCE

For the year ended 31 December 2014, the Company recorded a turnover of approximately RMB58,675,000, representing an increase of 2.6% from the previous year and an after-tax profit of RMB4,716,000. The Board does not recommend paying any final dividend for the year ended 31 December 2014.

BUSINESS STRATEGY

In 2014, the business operations of the Company generally remained stable, representing an increase against last year to some extent. This was mainly due to our efforts on the sale strategies on FA-90, our traditional product, particularly on the after-sales services for our traditional customers, increasing the usage by customers.

During the year, the Company increased the investment in the development of new products while remaining business growth at the previous level. In particular, it developed petrochemical products that meet the needs in the future market together with colleges and universities, so as to seek to broaden the range to which the Company's products are applied, and exploit new markets, therefore generating additional business growth points for the Company and achieving further development in the traditional petrochemical sector.

PROSPECT

The Company will accelerate to cultivate new profit growth projects based on consolidating the existing traditional business. It will focus on the Company's business transformation and identify good projects in the clean energy sector as soon as possible, so as to generate new business growth points and substantial improvement of profits, and achieve better return for all shareholders.

On behalf of the Board, I would like to take this opportunity to express my most sincere gratitude for the directors and all parties who have given their support for the Company!

Professor Wang Cong
Chairman

Xi'an, the PRC
31 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Company's turnover was approximately RMB58,675,000 for the financial year ended 31 December 2014, representing an increase of 2.6% over the previous year.

The Company's gross profit was approximately RMB17,596,000 for the financial year ended 31 December 2014, compared to RMB17,681,000 last year. The gross profit margin of 2014 was 29.98% (2013: 30.91%).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2014, the equity of owners of the Company was approximately RMB91,239,000 (2013: RMB86,523,000); cash and bank balances were RMB48,755,000 (2013: RMB34,426,000); and current assets amounted to RMB88,819,000 (2013: RMB80,163,000). Current liabilities amounted to approximately RMB17,704,000 (2013: RMB15,980,000). The Company's liquidity ratio, defined as total current assets over total current liabilities, from 5.02 as at 31 December 2013 to 5.02 as at 31 December 2014.

SIGNIFICANT INVESTMENT HELD AND MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

As at 31 December 2014, the Company is proceeding with an acquisition of a company which operates distribution of natural gas business in Shaanxi Province (the "Project"). Owing to the changes of a number of conditions during the process of implementing the Project, the Project has been delayed. A number of changes have taken place, including the shareholder structure, the project size and turnover, as well as the management of the of the target company to be acquired. These changes involve changes in issues regarding legal, financial, assets ownership and operating quality, which require completion and optimization measures taken by the target company. It is also necessary for the Company to further negotiate with the target company in terms of the acquisition consideration, process and project completion time. As all the parties are under further communication, the progress of the acquisition is still unclear. The Company is paying close attention to follow up the Project in order to promote its implementation. As at 31 December 2014, the Company has no proposal in respect of disposal of subsidiaries and associates.

PLEDGE OF ASSETS

As at 31 December 2014, the Company had no pledge of assets.

GEARING RATIO

Gearing ratio, defined as total borrowings over net assets was 0% (same period of 2013: 0%).

CAPITAL COMMITMENT, FOREIGN EXCHANGE EXPOSURE AND CONTINGENT LIABILITIES

For the year, the Company's financial status has not been affected by the fluctuation of interest rate and any hedging.

BUSINESS REVIEW

The Company achieved the following results for the financial year ended 31 December 2014:

Products and production
The Company's principal products were FA-90 unleaded gasoline additive ("FA-90") and 2-ETHYLHEXYL THIOGLYCOLATE (thiol products). The Company realized a sales income of RMB58,675,000 for the year, representing an increase of 2.6% over the previous year.

Sales and marketing
The Company's sales mainly relied on its existing sales and distribution network and expanded its sales channel appropriately. In particular, it enhanced the after-sales services, increasing the demands of traditional customers for the Company's products, which in turn resulted in a certain growth in the sales of traditional products for the year

EMPLOYEES INFORMATION AND REMUNERATION POLICY

For the year ended 31 December 2014, staff remuneration of the Company amounted to approximately RMB2,139,000 (2013: RMB1,977,000). The Company employed a total of 82 staff (2013: 78). Remuneration was determined by reference to the position and duties of the staff and individual performance, qualification and experience. Discretionary bonus may be rewarded to the employees by reference to their performance to recognize their contribution. Other benefits included housing allowances and the unemployment, medical and pension schemes stipulated by the social security system of the PRC government.

PROSPECT

The Directors believe that, as the Company is concentrating on fostering new projects that would contribute to profit growth, and in particular, it expects that a significant progress will be made in the clean energy sector, the Company's core business will experience a remarkable change which will play an active role in enhancement and sustainable development of the Company's operating results in future. While ensuring the sustainable development of existing business, the Company will also continuously explore new businesses in new areas, in order to contribute to further business growth and to significantly improve profitability, thus producing a better return for all shareholders.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Wang Cong (王聰), aged 57, is the chairman of the Company, and is responsible for the Company's overall strategic planning and the formulation of corporate policies. He graduated from the Department of Textile engineering of Northwest Textile Technical Institute (西北紡織工學院紡織工程系) with a bachelor's degree in 1982. He has obtained a master degree from the EMBA programme of China Europe International Business School. From July 1982 to December 1990, Mr. Wang served as secretary to the delegation committee (團委書記) of Northwest Textile Technical Institute (西北紡織工學院). Mr. Wang was appointed to be a professor and Master Instructor of Xi'an Petroleum University in 2000. From February 1991 to the present, Mr. Wang has served as the deputy general manager, general manager, president and chairman of the Company or its predecessor.

Wang Feng (王峰), aged 55, is an executive Director, vice president and secretary to the Board. He is responsible for the overall operations of the marketing and sales of the Company's products. From 1981 to December 1993, Mr. Wang Feng was the deputy general manager of Ankang District Department Store (安康地區百貨公司). Mr. Wang Feng completed a Chinese language and literature course in Shaanxi Province Broadcasting Television University (陝西省廣播電視大學) in 1993. He joined the Company in 1994. He served as a general manager of Jing He Branch and a marketing branch of the Company and was mainly responsible for the overall operation of product production, promotion and sales. He took the position of vice president and secretary to the Board in November 2010 to manage the administrative and secretarial matters of the Company. Mr. Wang Feng is the younger brother of the Company's chairman, Mr. Wang Cong.

Tian Lingling (田玲玲), aged 54, is an executive Director and the vice president of the Company. She is responsible for the personnel and external affairs of the Company. She graduated from Shaanxi Business College majoring in the profession of Chinese Language in 1985 and further studied in MBA at Xi'an Jiaotong University between 2005 and 2006. She was the deputy general manager and artistic director of Xi'an Shuguang Decoration Group Company Limited (西安曙光裝飾集團有限公司). She has been the deputy general manager of Xi'an Northwest Industry (Group) Company Limited since 2005. She joined the Company in 2005. She served as a manager of the human resources department. Ms. Tian Linlin is the spouse of Mr. Wang Cong, the chairman of the Company.

Yang Xiaohuai (楊小懷), aged 51, is an executive Director and the financial controller of the Company. He is responsible for overseeing the operation of the accounting department and the financial matters of the Company. He graduated from Zhengzhou Aviation Industry Management Vocational School (鄭州航空工業管理專科學校) in 1984. Mr. Yang had served consecutively as the deputy head and head of the Division of Accounts, the Department of Finance, 173 Aviation Factory (航空工業173廠財務處). From May 1993 to May 2000, he served consecutively as the head of audit division, assistant to the head of the firm and deputy head of the firm of Shaanxi Yuehua Accountants Firm (陝西岳華會計師事務所). From May 2000 to September 2004, he served as deputy head of Shaanxi Kanghua Accountants Firm (陝西康華會計師事務所). Mr. Yang has served as the financial controller of the Company since 2005.

Independent non-executive Directors

Li Gangjian (李剛劍), aged 51, is an independent non-executive Director. Mr. Li graduated from the People's University of the PRC (中國人民大學) in June 1991 with a doctorate degree in economics. From April 1996 to June 1997, he worked at Beijing Bite Industry Joint Stock Company Limited (北京比特實業股份有限公司) as a director and the deputy general manager. Mr. Li has been the general manager of Beijing Huizheng Financial Consultancy Company Limited (北京匯正財經顧問有限公司) since July 1998. He was appointed as an independent non-executive Director in January 2000.

Zhao Boxiang (趙伯祥), aged 70, graduated and obtained an undergraduate degree from the Department of Politics and Education of Shaanxi Normal University (陝西師範大學) in July 1969. He is a senior economist and a member of the ninth and tenth session of Shaanxi Provincial Political Consultative Committee. He spent his time at Lanzhou Airforce Farm after graduation in 1969 and start working for Shaanxi's authorities at provincial level in the spring of 1971 until his retirement in the spring of 2005. During such period, he worked for Shaanxi Light-Textile Industry Bureau, Shaanxi Light Industry Department, Shaanxi Second Light Industry Department, Shaanxi Province Party Rectification Office, Shaanxi Commission for Economic System Restructuring and SASAC of Shaanxi Province and served as an executive, associate director, director, deputy officer, officer, secretary to the party, inspector, etc. Currently, he is also a president of Shaanxi System Reform Research Association, honor president of Shaanxi Economic Development Promotion Association, president of Shaanxi Independent Directors Association, Shaanxi Credit Promotion Association and Public Relations Association in Shaanxi Province and a visiting professor of Xibei University and chief planner of Institute of Planning and Research of Economic Development in Central and Western China

Zhao Xiaoning (趙小寧), aged 60, Bachelor's degree, professional titles: Professor. During the period from December 1972 to April 1984, Mrs. Zhao worked in a microwave equipment factory in Xi'an, the PRC, and was responsible for, among others, the high frequency mechanical studies and development, the machines design studies and handling various factory administration matters. During 1981 and 1985, she studied and graduated from 中央廣播電視大學 (The Open University of China) with a bachelor degree in mechanical studies. Since August 1985, Prof. Zhao has worked in 陝西廣播電視大學 (Shaanxi Radio & TV University) as the deputy officer, officer, deputy director and director and has became a professor at Shaanxi Radio & TV University and has been responsible for the education administration management, the corporate culture development and the corporate strategic development studies. Prof. Zhao has in-depth knowledge in personnel management, corporate strategic development studies and corporate culture development.

SUPERVISORS

Zeng Yinglin (曾應林), aged 62, is an executive Director and the vice president of the Company and the general manager of Wei Nan Branch of the Company in charge of the business department. Mr. Zeng graduated from Northwest Textile Technical Institute (西北紡織工學院) majoring in textile studies in 1982. Before he joined the predecessor of the Company, Northwest Industry Corporation, in June 1994, Mr. Zeng had worked in Sanmenxia Huixing Textile Factory (三門峽會興棉紡織廠) as the factory office director and vice factory director from July 1982 to October 1991 and Henang No. 2 Printing and Dyeing Factory (河南第二印染廠) as vice-factory director and factory director from October 1991 to June 1994.

Xing Manli (邢曼麗), aged 41, joined the predecessor of the Company since 1998, and served as an office clerk and treasurer of the financial department of the Company and accountant of the financial department of Xi'an Northwest Industry (Group) Company Limited. (Supervisor representing the staff)

Zhang Xiaoping (張小平), aged 42, has worked at the office of president of the Company since May 2004. From March 1990 to November 1996, Mr. Zhang has served at the Fire Prevention Detachment, Armed Police of Haixizhou, Qinghai Province (青海省海西洲武警消防支隊). From January 1997 to June 1997, he worked at Jinhua Mountain Mine of Tongchuan Minerals Bureau (銅川礦物局金華山礦). From September 1997 to August 2003, he worked at Xi'an High and New Xinda Commercial Products Company Limited (西安市高新新建商品有限公司).

Independent Supervisors

Duan Lin (段林), aged 52, obtained a Master's degree from Shaanxi Finance College in 1998. From 1983 to 1992, Mr. Duan worked at the People's Bank of China of Baoji City (寶雞市中國人民銀行). From 1992 to 2000, he worked at a financial institution in Hainan Province. He has served as deputy general manager ofQinghai Sanjiangyuan Securities Company Limited (青海三江源證券有限公司) since 2001.

Wang Gongxun (王公遜), aged 78, graduated from Xi'an Finance College with a major in Enterprise Accounting in 1956, and is a senior accountant, judicial accounting appraiser (司法會計鑒定人), registered accountant of the PRC, part-time professor of accounting of Xi'an Petroleum University (西安石油大學), and deputy chairman of Shaanxi Financial Costs Research Society (陝西財務成本研究會). From 1956 to 1982, Mr. Wang worked in the area of accounting and finance at the Construction Bank of Xi'an City, Management Bureau of Sanmenku District of Shaanxi Province (陝西省三門峽庫區管理局), Water and Electricity Bureau of Weinan District (渭南地區水電局) and Finance Bureau of Shaanxi Province (陝西省財政廳). He served as deputy principal of Shaanxi Finance Vocational School (陝西財政專科學院) from April 1982 to October 1988, as head of the accounts department of Shaanxi Finance Bureau (陝西省財政廳會計處), head of Shaanxi Accountants Firm (陝西會計師事務所) and deputy principal of Shaanxi Province Zhonghua Accounting Distance Learning School (陝西省中華會計函授學校) from November 1988 to August 1996, and as chief secretary of Society of Registered Accountants of Shaanxi Province (陝西省註冊會計師協會) from September 1996 to August 2002. He has served as consultant of Renhongxin Accountants Firm (鴻信會計師事務所) and Shaanxi Zhengyi Judicial Appraisal Centre (陝西正義司法鑒定中心) since August 2002. Mr. Wang served as committee member of Society of Registered Accountants of the PRC (中國註冊會計師協會) for 14 years, vice-chairman and chief secretary of Society of Accountancy of Shaanxi (陝西會計學會) for 8 years, vice-chairman of Society of Chief-accountants of Xi'an District (西安地區總會計師協會) for 6 years, deputy supervisor of middle level and committee member of high level accounting qualification examination committee of Shaanxi Province (陝西省會計職稱評審委員會). Mr. Wang has written a number of articles on accounting. His biographical details were published in Dictionary on Name of China Experts (中國專家名辭典) and Books on China Outstanding Persons of Leadership (中國優秀領導人才大典).

COMPANY SECRETARY

Mr. Yao Yan Ping, the former company secretary of the Company, has resigned since 31 July 2014 (see the announcement published on the Stock Exchange website by the Company on 12 August 2014). The Company has appointed Mr. Leung Man Kit as the company secretary in November 2014, which was published on the website of the Stock Exchange in 27 November 2014.

SENIOR MANAGEMENT

Bi Hongxia (畢紅霞), aged 38, is currently the vice president of the Company, responsible for management of the company's new project. She was graduated from Chang'an University of Applied Electronics in 1999. From 2003 to 2009, she served as the vice president of China GrenTech Corporation Limited, mainly responsible for management of research and development, production and sales. Ms. Bi has obtained intermediate and advanced level qualifications in human resource management and quality control. She has obtained intermediate qualification of professional manager in 2010 with extensive experience in project management and industrial operation. She joined the Company in 2011.

Yan Xi (嚴希), aged 47, is a chief engineer of the Company. He graduated from the Shanghai Fudan University with a bachelor's degree in applied chemistry. He worked for the Technology Department of Xian Paints Factory Sifen Factory (西安油漆總廠四分廠) from July 1990 to 1992. He served as an manager of Shenzhen Xiandaoxi Material Ltd Co.,(深圳市先導新材料有限公司) from 1992 to 1997 and was responsible for the development of electronic consumables materials and nanometer materials. He invented a super small BaTi03 soft materials successfully and the product was utilized by Fuji (富士公司) and TDK of Japan. From 1997 to 2000, he worked at Shenzhen Zhongzhen Industry Limited (深圳中圳實業有限公司) as a chief engineer responsible for the development and the management of production technology of rare- earth electromagnetic materials. From 2000 to June 2002, he worked at the Nantonghongding International Chemistry Company (南通虹鼎國際化工公司) as a chief engineer.

Xu Yan (徐艷), aged 39, head of the president office of the Company. She graduated from Jiangxi University of Finance and Economics majoring in accountancy in 2002, with the qualification of intermediate level economist. She has been worked in Shangrao District Branch in Jiangxi Province of the China Construction Bank from 1996 to 2002, Suntek Technology Co. Ltd. from 2002 to 2005, and Aisino Co. Ltd. from 2005 to 2008. She joined the Company in September 2011 as the head of the president office.

Wu Chuandong (吳傳東), aged 51, is the manager of the Company's audit department. Mr. Wu graduated from Northwest University of the PRC (西北大學) majoring in accountancy in 1996. He is a qualified accountant and a registered tax agent of the PRC. From July 1987 to April 2001, Mr. Wu served consecutively as accountant or auditor in a factory and two accounting firms in the PRC. Before he joined the Company in November 2002, he was the manager of the finance department of Fengxing International Company Limited (蜂星國際有限公司) from May 2001 to October 2002.

Xie Chaohong (謝朝紅), aged 47, is the manager of the Company's project financing department. Ms. Xie graduated from Shaanxi International Business Training College (陝西對外商務培訓學院) majoring in international trade in 1995. From February 1987 to July 1993, she worked in Factory No. 2 of Xi' an Public Transportation Company (西安公交公司電車二廠). From August 1993 to July 1995, she studied at Shaanxi International Business Training College (陝西對外商務培訓學院). From August 1995 to December 1999, Ms. Xie was the manager of the personnel department of Shenzhen Henggang Songbai Enterprise (深圳橫崗松柏企業). She joined the Company in September 2000.

Feng Jun (馮君), aged 42, is the manager of the human resources department and administration department of the Company. Ms. Feng graduated from Shaanxi Commerce College (陝西商業專科學院) majoring in international tourism and business in July 1994. From July 1995 to October 1999, she served consecutively as the office secretary in Xi'an Jinguishou Pharmacy Group Company (西安市金龜壽藥業集團公司), the head of the dealing department of Shaanxi Hualong Futures Dealers Limited Liability Company (陝西華隆期貨經紀有限責任公司) and the manager of the dealing department of Weinan New Century Information Consultancy Limited Liability Company (渭南新世紀信息諮詢有限責任公司). She joined the Company in November 1999.

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2014.

PRINCIPAL BUSINESS

The Company is principally engaged in the research and development, production and sales of innovative environmental protection energy materials and products, fuels of oil additives, petroleum processing aids and oil field chemicals.

RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 31 December 2014 are set out on page 27 of the annual report. The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2014.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company during the year are set out in the Note 14 to the financial statements.

TRADE RECEIVABLES

The total trade receivables net of impairment loss as at 31 December 2014 amounted to approximately RMB26.74 million (2013: RMB27.93 million).

SHARE CAPITAL

The details of the movements in the share capital of the Company during the year are set out in Note 21 to the financial statements.

DIRECTORS AND SUPERVISORS

The Directors and supervisors of the Company during the year were:

Executive Directors:

Wang Cong
Wang Feng
Yang Xiaohuai
Tian Lingling
Zhou Jin (resigned in August 2014)

Non-executive Directors:

Gao Peng
Wong Hon Kit
Simon Luk
(all the above three Non-executive directors resigned in August 2014)

Independent non-executive Directors:

Li Gangjian
Zhao Boxiang
Chen Tao (resigned in August 2014)
Zhao Xiaoning

Supervisors:

Zeng Yinglin
Zhang Xiaoping
Xing Manli

Independent Supervisors:

Duan Lin
Wang Gongxun

The Directors and supervisors of the Company as at the date of the report were:

Executive Directors:

Mr. Wang Cong *(Chairman)*
Mr. Wang Feng
Mr. Yang Xiaohuai
Ms. Tian Lingling

Independent non-executive Directors:

Mr. Li Gangjian
Mr. Zhao Boxiang
Prof. Zhao Xiaoning

Supervisors:

Mr. Zeng Yinglin
Mr. Zhang Xiaoping
Ms. Xing Manli

Independent Supervisors:

Mr. Duan Lin
Mr. Wang Gongxun

Each of the Directors and Supervisors (including independent non-executive Directors and independent supervisors) has entered into a service agreement with the Company for three years. Each of the Directors and Supervisors was appointed as director and supervisor of the Company respectively, subject to termination in certain circumstances as stipulated in the relevant services contracts.

DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS' INTERESTS

As at 31 December 2014, the interests or short positions of the Directors, the supervisors ("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") (Chapter 571 of the Laws of Hong Kong) 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 the domestic shares	Approximate shareholding percentage in the entire issued domestic shares	Approximate shareholding percentage in total issued share capital of the Company
Wang Cong *(Note 1)*	Interest of controlled corporation	609,500,000	89.63%	66.98%
Zheng Rongfang	Beneficial owner	2,000,000	0.29%	0.22%
Wang Feng	Beneficial owner	2,000,000	0.29%	0.22%
Zeng Yinglin	Beneficial owner	2,000,000	0.29%	0.22%
Yan Buqiang	Beneficial owner	2,000,000	0.29%	0.22%
Wang Zheng	Beneficial owner	2,000,000	0.29%	0.22%
Guo Qiubao	Beneficial owner	2,000,000	0.29%	0.22%

Note (1):

The 609,500,000 domestic shares were held by Xi'an Northwest Industry (Group) Company Limited ("Northwest Group"), which is beneficially owned as to 98% by Wang Cong. Wang Cong is deemed to be interested in these 609,500,000 domestic shares.

SUBSTANTIAL SHAREHOLDERS AND OTHER SHAREHOLDERS INTERESTS

As at 31 December 2014, the persons (other than a 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 the 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	609,500,000	89.63%	66.98%
Shaanxi Jing Dian Investment Company Limited (陝西精典投資有限公司)	Beneficial owner	58,500,000	8.60%	6.43%
Ding Xianguang *(Note 2)*	Interest of controlled corporation	58,500,000	8.60%	6.43%
Zhang Jianming *(Note 2)*	Interest of controlled corporation	58,500,000	8.60%	6.43%

Note (2):

Each of Ding Xianguang and Zhang Jianming was beneficially interested in 40% of the equity interest in Shaanxi Jing Dian Investment Company Limited (陝西精典投資有限公司), and is deemed to be interested in 58,500,000 domestic shares respectively under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Interests in H shares of the Company (long positions):

Name	Capacity	Number of H shares	Approximate shareholding percentage in the total issued H shares	Approximate shareholding percentage in the entire issued share capital of the Company
Tang Weichao	Beneficial owner	12,960,000	5.63%	1.42%

SHARE OPTION SCHEME

The Company currently has not adopted any share option scheme.

INVESTMENT PROJECT PLAN

Please refer to the paragraph headed "Management discussion and analysis — Significant investment held and material acquisition and disposal of subsidiaries."

DIRECTORS AND SUPERVISORS INTERESTS IN MATERIAL CONTRACTS

During the year ended 31 December 2014, none of the Directors or Supervisors had a material interest directly or indirectly, on any other contract of significance to the business of the Company to which the Company was a party.

ARRANGEMENTS TO PURCHASE SHARES

At no time during the year was the Company a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of Shares in the Company or any other body corporate, and neither the Directors nor Supervisors, nor chief executives of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

CONNECTED TRANSACTION

During the year, the Company has not undertaken and/or approved any non-exempt connected transactions with any connected persons (as defined under the GEM Listing Rules).

COMPETING INTERESTS

During the year ended 31 December 2014, none of the Directors and Supervisors and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Company.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the largest and the second largest suppliers of the Company accounted for approximately 66% and 19% of the Company's purchases, respectively.

Aggregate sales attributable to the Company's five largest customers accounted for approximately 75.68% of the total turnover. The largest customer accounted for approximately 25.4% of the total turnover of the Company.

None of the Directors, the Supervisors, their associates or any shareholders which, to the knowledge of the Directors, own more than 5% of the Company' issued share capital had any interest in the five largest suppliers or customers during the year ended 31 December 2014.

DIRECTORS' REPORT

ANALYSIS OF THE OPERATION OF THE COMPANY

The operation of the Company, analyzed by its products, are as follows:

FOR THE YEAR ENDED 31 DECEMBER 2014

	Thiol products	**FA-90**
	RMB'000	*RMB'000*
Turnover	22,627	36,048
Cost of sales	(14,077)	(27,002)
Gross profit	8,550	9,046

For the year ended 31 December 2013

	Thiol products	**FA-90**
	RMB'000	*RMB'000*
Turnover	21,995	35,191
Cost of sales	(13,265)	(26,240)
Gross profit	8,730	8,951

LITIGATION

As of 31 December 2014, the Company had no pending material litigation.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company had not purchase, sell or redeem any of the Company's listed securities during the year ended 31 December 2014.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Throughout the year ended 31 December 2014, at least 25% of the Company's total issued share capital was held by the public and as at the date of this report.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Elite Partners CPA Limited as auditors of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Board") of the Company is always committed to maintaining high standards of corporate governance. Save as disclosed in this section, in the opinion of the Board, during the year ended 31 December 2014, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") in Appendix 15 of the GEM Listing.

THE BOARD OF DIRECTORS

Composition and function

Before 12 August 2014, the Board comprised twelve Directors including Mr. Wang Cong (chairman), Mr. Wang Feng, Mr. Yang Xiaohuai, Ms. Tian Lingling and Zhou Jin as executive Directors, Mr. Gao Peng, Mr. Wong Hon Kit and Mr. Simon Luk as non-executive Directors and Mr. Li Gangjian, Mr. Chen Tao, Mr. Zhao Boxiang and Prof. Zhao Xiaoning as independent non-executive directors. Among the above board members, Ms. Zhou Jin, Mr. Gao Peng, Mr. Wong Hon Kit, Mr. Simon Luk and Mr. Chen Tao resigned on 12 August 2014. Therefore, since 12, August 2014, the Company's Board of Directors comprised seven directors, including Mr. Wang Cong (Chairman), Mr. Wang Feng, Mr. Yang Xiaohuai and Ms. Tian Lingling as executive directors, and Mr. Li Gangjian, Mr. Zhao Boxiang and Prof. Zhao Xiaoning as independent non-executive directors. Biographies of the Directors are set out in the paragraph headed "Directors, Supervisors and Senior Management" of this annual report.

The Board is responsible for overseeing the preparation of accounts of each financial period, which shall give a true and fair view of the state of affairs of the Company and of the results and cash flows for that period. It is also responsible for formulating the Company's long-term strategy and supervising the management to ensure thorough implementation of the Company's policies and effective performance of their duties. Also, the Board is responsible for performing the corporate governance duties set out in the Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of the Directors, and reviewing the Company's compliance with the code provision in the Code and disclosures in this report. During the financial year ended 31 December 2014, the Board has performed the corporate governance duties set out in the Code.

Delegation by the Board

The management, consisting of executive Directors along with other senior executives, is delegated with responsibilities for implementing the strategy and direction as adopted by the Board from time to time and conducting the day-to-day operations of the Group. Executive Directors and senior executives meet regularly to review the performance of the businesses of the Company, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Company.

Amongst the board members, Mr. Wang Feng is a younger brother of Mr. Wang Cong, and Ms. Tian Lingling is the wife of Mr. Wang Cong. Other Board members have no financial, business, family or other material/ relevant relationships with each other.

All non-executive Directors are engaged by a service contract for a fixed term for not more than 3 years. All Directors appointed to fill a casual vacancy are subject to re-election by shareholders at the first annual general meeting following their appointment and all Directors are subject to re-appointment or re-election at least once every three years. Composition of the Board, by category of Directors, including names of the Chairman, executive Directors, independent non-executive Directors and non-executive Directors, has been disclosed in all corporate communications.

The Separate Roles of Chairman and Chief Executive Officer

Under the provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Following the resignation from the post of chief executive and removal of directorship from the Company of Mr. Wang Zheng in June 2006, Mr. Wang Cong held the offices of Chairman and president of the Company since then. The Board has been in the process of identifying a suitable candidate to fill the role of president.

The Board is responsible for considering and recommending suitable nominees to act as Director, and proposal will be made to approve such nominees by ordinary resolutions of general meetings. When there is a need to change members of the Board or to increase or decrease the number of the Directors, the Chairman of the Board shall recommend nominees to the Board after taking into consideration of the requirements of corporate governance and human resources and seeking advice from relevant professionals and opinions of other Directors. The Board shall then propose such nominee for approval in general meeting.

The day-to-day management of the Company's business was handled by the executive Directors of the Company collectively. The Board believes that the present arrangement is adequate to ensure an effective management and control of the Company's present business operations. The Board continually reviews the effectiveness of the Company's corporate governance structure to assess whether any changes, including the appointment of a chief executive officer, are necessary.

Board meetings and attendance

The Board meets at least quarterly and additional Board meetings are held as and when required. Between scheduled meetings, the Directors are provided with information on the activities and development in the businesses of the Company in a timely manner to keep them abreast of the Company's latest developments. During the financial year ended 31 December 2014, the Board held five meetings.

Details of Directors' attendance records in 2014:

	Number of board meeting attended/Total	Number of general meeting attended/Total
Executive Directors		
Mr. Wang Cong	5/5	1/1
Mr. Wang Feng	5/5	1/1
Mr. Yang Xiaohuai	5/5	1/1
Ms. Tian Lingling	5/5	1/1
Ms. Zhou Jin	2/5	0/1
Non-Executive Directors		
Mr. Gao Peng	2/5	0/1
Mr. Wong Hon Kit	2/5	0/1
Mr. Simon Luk	2/5	0/1
Independent Non-Executive Directors		
Mr. Li Gangjian	5/5	0/1
Mr. Chen Tao	2/5	0/1
Mr. Zhao Boxiang	5/5	0/1
Prof. Zhao Xiaoning	5/5	0/1

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company provides regular training to Directors to update the Directors on the requirements under the GEM Listing Rules and the amendments to the GEM Listing Rules in the hope that all the Directors would comply with the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted a code of conduct regarding securities transactions by Directors on terms which are the same as the required standard of dealings as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has made specific enquiries of all the Directors and the Company was not aware of any noncompliance with the required standard of dealings and the code of conduct regarding securities transactions by the Directors.

INDEPENDENCE

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all the independent non-executive Directors to be independent.

REMUNERATION COMMITTEE

The Remuneration Committee was established in June 2006 and consists of three members, majority of which being independent non-executive Directors. After resignation of the former chairman of the committee, Mr. Gao Peng, and a former member, Mr. Li Gangjian, in August 2014, Ms. Zhao Xiaoning has been appointed to be a member as well as the chairlady of the committee, and other members include Mr. Zhao Boxiang and Mr. Yang Xiaohuai.

The Remuneration Committee is responsible, among others, to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee has the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management. Remuneration includes benefits in kind, pension rights and compensation payments, basic salary and performance bonus, of the executive Directors and senior management is based on skills, knowledge, involvement and performance of the individuals by reference to the Company's performance and profitability, as well as industry practice. The committee ensures that no Director is involved in deciding his own remuneration.

The specific terms of reference of the Remuneration Committee is posted on the Company's website.

The Remuneration Committee held 2 meeting(s) in 2014. The individual attendance record of each member is as follows:

	Number of meetings attended/Total
Executive Directors	
Mr. Yang Xiaohuai (appointed in August 2014)	1/2
Non-Executive Directors	
Mr. Gao Peng (resigned in August 2014)	1/2
Independent Non-Executive Directors	
Mr. Li Gangjian (resigned in August 2014)	1/2
Mr. Zhao Boxiang	2/2
Ms. Zhao Xiaoning (Chairlady, appointed in August 2014)	1/2

During the financial year ended 2014, the Remuneration Committee has, amongst other things, reviewed the remuneration of executive Directors, assessed performance of executive Directors and approved the terms of executive Directors' service contracts.

NOMINATION COMMITTEE

The Nomination Committee was established in June 2006 and consists of three members, majority of which being independent non-executive Directors. The chairman of the committee is Mr. Zhao Boxiang, an independent non-executive director, and other members include Ms. Zhao Xianning and Mr. Li Gangjian. In August 2014, Mr. Li Gangjian, an independent non-executive director, resigned his position in the nomination committee of the Company. Mr. Wang Feng has been appointed as a member of the Nomination Committee.

The Nomination Committee is responsible for formulating nomination policy, reviewing the structure, size and composition of the Board on a regular basis and making recommendations to the Board on selection and appointment of Board members. The specific terms of reference of the Nomination Committee is posted on the Company's website.

The Nomination Committee held 1 meeting in 2014. The individual attendance record of each member is as follows:

	Number of meetings attended/Total
Executive Directors	
Mr. Wang Feng (appointed in August 2014)	0/1
Independent Non-Executive Directors	
Ms. Zhao Xiaoning	1/1
Mr. Li Gangjian (resigned in August 2014)	1/1
Mr. Zhao Boxiang	1/1

During the financial year ended 2014, the Nomination Committee has, amongst other things, determined the policy for the nomination of directors and adopted the nomination procedures and the process and criteria to select and recommend candidates for directorship during the year.

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with Rules 5.28 of the GEM Listing Rules on 6 July 2002. The Audit Committee is currently chaired by an Independent non-executive Director, Mr. Li Gangjian. After the resignation of Mr. Gao Peng and Mr. Chen Tao in August 2014, Mr. Zhao Boxiang and Ms. Zhao Xiaoning, both independent non-executive directors, were appointed as the members of the Audit Committee.

The Audit Committee is responsible for reviewing accounting policies and practices adopted by the Group. It also reviews and discusses matters related to financial reporting, internal control, audit and performs other duties as assigned by the Board, and reports its work, findings and recommendations to the Board after each meeting in respect of the above matters as well as to the operating risks faced by the Group. The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 December 2014.

The terms of reference of the Audit Committee is published on the Company's website.

The Audit Committee held 4 meetings in 2014 discussing the Group's annual results for 2013, quarterly results for 2014, and reviewing internal control matters. The individual attendance record of each member is as follows:

	Number of meetings attended/Total
Non-Executive Directors	
Mr. Gao Peng(resigned in August 2014)	2/4
Independent Non-Executive Directors	
Mr. Li Gangjian	4/4
Mr. Chen Tao (resigned in August 2014)	2/4
Mr. Zhao Boxiang (appointed in August 2014)	2/4
Ms. Zhao Xiaoning(appointed in August 2014)	2/4

During the financial year ended 2014, the Audit Committee has, amongst other things, reviewed the quarterly, half-yearly and annual results of the Company and reviewed internal control matters of the Company.

The Company has complied with Rules 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

AUDITOR

The company has appointed Elite Partners CPA Limited as the Company's auditor since 2011. Since then, Elite Partners CPA Limited has been serving as the Company's auditor. Elite Partners CPA Limited continued to be the auditor of the Company by the approval of the general meeting of the Company held on 12 December 2014.

INTERNAL CONTROL

The Board has overall responsibility for the Company's systems of internal control and for reviewing its effectiveness. The Board will conduct regular review on internal control systems of the Company. During the year under review, the Board has reviewed the operational and financial reports, budgets and business plans provided by management. Besides, the Audit Committee and the Board also performed quarter review on the Company's performance and internal control system in order to ensure effective measures are in place to protect material assets and identify business risks of the Company.

For the implementation of the Code, the Company put more effects in reviewing its internal control system, especially in inspection and improvement of its disclosure procedures under Chapter 19 of the GEM Listing Rules regarding discloseable transactions. Internal position exchange procedures and trainings for relevant responsible persons and executives are both enhanced, with a view to better implement all provisions in the Code and the GEM Listing Rules.

COMPANY SECRETARY

Mr. Yao Yan Ping, the former company secretary of the Company, has resigned since 31 July 2014. The company has appointed Mr. Leung Man Kit as the company secretary in 27 November 2014.

SHAREHOLDERS' RIGHTS

Extraordinary general meeting may be convened by the Board on written requisition of shareholders holding 10% (including 10%) or more of the Company's issued and outstanding shares carrying voting rights pursuant to Article 58 of the articles of association of the Company. According to Article 60 of the articles of association of the Company, when the Company convenes an annual general meeting, shareholders holding 5% (including 5%) or more of the total voting shares of the Company, are entitled to propose new motions in writing to the Company and the Company shall place such motions on the agenda for such meeting if they are matters falling with the scope of duties of the general meeting on the agenda. Shareholders may propose new motions at general meeting of the Company by sending the same to the Company at the registered office and principal place of business in the People's Republic of China of the Company and the principal place of business in Hong Kong of the Company.

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the principal place of business in Hong Kong of the Company.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company follows a policy of disclosing relevant information to shareholders in a timely manner. Members of the Board meet and communicate with shareholders at the annual general meeting of the Company. The Chairman proposes separate resolutions for each issue to be considered and put each proposed resolution to the vote by way of a poll. Voting results are posted on the Company's website on day of the annual general meeting.

Our corporate websites which contain corporate information, interim and annual reports, announcements and circulars issued by the Company enables the Company's shareholders to have timely and updated information of the Company.

AMENDMENTS OF THE ARTICLES OF ASSOCIATIONS

In the Company's annual general meeting held on 12 October 2014, a resolution regarding amendment of the articles of association was announced and approved, and some contents of the articles of association were amended accordingly. Please refer to the section known as "Letter from the Board – Proposed Amendment of the Articles of Association" in the Company's circular dated 27 August 2014 for further details.

REPORT OF SUPERVISORY COMMITTEE

To the Shareholders:

In 2014, the Supervisory Committee of the Company (the "Supervisory Committee") duly performed its duties conferred by relevant laws and regulations and actively engaged in activities that were in line with their considerable accountability to all shareholders in accordance with the Company Law, Articles of Association and the Working Plan of the Supervisory Committee 2014. It monitored effectively the financial position as well as the performance of the Board of Directors (the "Board"), the member of the Board and other senior management staffs of the Company. During the reporting period, the Supervisory Committee held six meetings, and the members of the Supervisory Committee attended every board meeting and general meeting.

A. THE MEETINGS HELD BY THE SUPERVISORY COMMITTEE OF THE COMPANY

1. The eleventh meeting of the third Supervisory Committee was held on 28 March 2014, which considered and approved the audited annual results report of the Company for the year ended 31 December 2013 and audited 2013 annual report.

2. The twelveth meeting of the third Supervisory Committee was held on 15 May 2014, which considered and approved the unaudited first quarterly results report of the Company for the three months ended 31 March 2014.

3. The thirteenth meeting of the third Supervisory Committee was held on 14 August 2014, which considered and approved the unaudited interim results report of the Company for the six months ended 30 June 2014.

4. The fourteenth meeting of the third Supervisory Committee was held on 14 November 2014, which considered and approved the unaudited third quarterly results report of the Company for the nine months ended 30 September 2014.

B. EXAMINATION OF THE COMPLIANCE OF THE COMPANY'S OPERATIONS WITH LEGAL REQUIREMENTS

In 2014, the Supervisory Committee devoted more efforts to supervise the management. The Supervisory Committee considered:

1. In 2014, the Board of the Company practically executed the resolutions entirely in compliance with the requirements resolved in the general meetings. Every decision-making procedure was carried out entirely in compliance with the Company Law, Securities Law, Articles of Association, relevant laws and regulations of Hong Kong and other relevant requirements of the PRC.

2. During the reporting period, neither the Directors nor the chairman nor other senior executives were found in breach of the PRC laws regulations, articles of association and acting detrimental to the interests of the Company in their course of performing the duties of the Company.

3. The financial position of the Company in 2014 was basically normal. There was no breach of financial requirements found. The financial account was clear, the accounting file was complete, and the financial administration had complied with the requirements of financial system.

For and on behalf of the Supervisory Committee
Zeng Yinglin
Chairman of the Supervisory Committee

Xi'an, the PRC
31 March 2015

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants
CAREA

To the members of Shaanxi Northwest New Technology Industry Company Limited
(A joint stock company incorporated in the People's Republic of China with limited liability)

We have audited the financial statements of Shaanxi Northwest New Technology Industry Company Limited (the "Company") set out on pages 27 to 71, which comprise the statement of financial position as at 31 December 2014 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of these financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2014 of the profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 31 March 2015

Ng Man Chung Siman
Practising Certificate Number P03122

Suites 2B-4A, 20th Floor, Tower 5,
China Hong Kong City,
33 Canton Road,
Tsim Sha Tsui, Kowloon,
Hong Kong

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	6	**58,675**	57,186
Cost of sales		**(41,079)**	(39,505)
Gross profit		**17,596**	17,681
Other revenue and other gains and losses, net	7	**(3,613)**	(64,602)
Distribution and selling expenses		**(2,499)**	(2,029)
Administrative expenses		**(5,209)**	(5,615)
Operating profit/(loss)		**6,275**	(54,565)
Finance costs		**–**	–
Profit/(Loss) before taxation	8	**6,275**	(54,565)
Income tax expense	11	**(1,559)**	(1,800)
Profit/(Loss) for the year		**4,716**	(56,365)
Other comprehensive income		**–**	–
Total comprehensive income/(loss) for the year		**4,716**	(56,365)
Earning/(Loss) per share			
– Basic and diluted	13	**RMB 0.005**	RMB (0.062)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	14	**13,296**	15,302
Land lease premium	15	**6,828**	7,038
		20,124	22,340
Current assets			
Land lease premium	15	**210**	210
Inventories	16	**1,081**	1,349
Trade receivables	17	**26,741**	27,934
Prepayments, deposits and other receivables	17	**12,032**	16,244
Cash and cash equivalents		**48,755**	34,426
		88,819	80,163
Current liabilities			
Trade payables	18	**461**	461
Other payables and accruals	19	**9,224**	6,986
Amount due to the ultimate holding company	20	**3,081**	3,276
Tax liabilities		**4,938**	5,257
		17,704	15,980
Net current assets		**71,115**	64,183
Net assets		**91,239**	86,523
Capital and reserves			
Share capital	21	**91,000**	91,000
Reserves	22	**239**	(4,477)
Total equity		**91,239**	86,523

Approved and authorised for issue by the board of directors on 31 March 2015.

Wang Cong
Director

Yang Xiaohuai
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Share capital *RMB'000*	Share premium *RMB'000*	Statutory surplus reserve *RMB'000*	Statutory welfare fund *RMB'000*	(Accumulated losses)/ Retained profits *RMB'000*	Total equity *RMB'000*
At 1 January 2013	91,000	25,880	13,251	5,493	7,264	142,888
Loss for the year and total comprehensive loss for the year	–	–	–	–	(56,365)	(56,365)
At 31 December 2013 and 1 January 2014	91,000	25,880	13,251	5,493	(49,101)	86,523
Profit for the year and total comprehensive income for the year	–	–	–	–	4,716	4,716
At 31 December 2014	91,000	25,880	13,251	5,493	(44,385)	91,239

STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 *RMB'000*	2013 *RMB'000*
Operating activities		
Profit/(Loss) before taxation	**6,275**	(54,565)
Adjustments for:		
Reversal of impairment loss on trade receivables	**(2,190)**	(655)
Impairment loss on trade and other receivables, prepayments and deposits	**5,863**	67,089
Amortisation of land lease premium	**210**	210
Depreciation of property, plant and equipment	**2,006**	2,768
Interest income	**(57)**	(63)
Loss on disposal of property, plant and equipment	**–**	276
Operating profit before working capital changes	**12,107**	15,060
Decrease/(increase) in inventories	**268**	(33)
Increase in trade receivables	**(2,480)**	(2,702)
Decrease/(increase) in other receivables, prepayments and deposits	**4,212**	(1,667)
Increase in trade payables	**–**	61
Increase/(decrease) in accruals and other payables	**2,238**	(2,304)
Cash generated from operations	**16,345**	8,415
Income tax paid	**(1,878)**	(1,411)
Net cash generated from operating activities	**14,467**	7,004
Investing activities		
Proceeds from the sale of property, plant and equipment	**–**	8
Interest received	**57**	63
Repayment to the ultimate holding company	**(195)**	(2)
Net cash (used in)/generated from investing activities	**(138)**	69
Net increase in cash and cash equivalents	**14,329**	7,073
Cash and cash equivalents at 1 January	**34,426**	27,353
Cash and cash equivalents at 31 December		
Cash and bank balances	**48,755**	34,426

1. GENERAL INFORMATION

Shaanxi Northwest New Technology Industry Company Limited (the "Company") was incorporated in People's Republic of China (the "PRC") on 9 April 1999 as a limited liability company. On 18 January 2000, pursuant to the approval from the relevant PRC authorities, the Company converted into a joint stock limited company and renamed as 陝西西北新技術實業股份有限公司 Shaanxi Northwest New Technology Industry Company Limited in preparing for the listing of the Company's H Shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The H shares of the Company were listed on the GEM on 3 July 2003.

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is principally engaged in the research and development, production and sale of innovative environmental protection energy material and products, fuel oil additives, chemical products and rare earth materials.

The directors consider the ultimate holding company of the Company is Xi'an Northwest Industry (Company) Limited, which is established in the PRC. This entity does not produce financial statements available for public use.

The financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

2.1 Standards and Interpretations adopted in current year

In the current year, the Company has adopted the following new and revised standards, amendments and interpretations (hereinafter collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are relevant to and effective for the Company's financial period beginning on 1 January 2014:

HK(IFRIC)-Int 21	Levies
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10	Investment Entities
Annual Improvement to HKFRSs (2010-2012)	Amendments to HKFRS 2 and 3

The adoption of the new and revised HKFRSs has no material effect on the financial statements of the Company for the current and prior accounting periods.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

2.2 Standards and Interpretations is issued but not yet adopted

The Company has not early applied any of the following new and revised standards, amendments and interpretations which have been issued but are not yet effective for annual periods beginning on 1 January 2014:

Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions[1]
HKFRS 9	Financial Instruments[2]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKAS 28 and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 11	Accounting for Acquisition of Interest in Joint Operations[3]
Annual Improvements to HKFRSs (2010-2012)	Amendments to HKFRS 8, HKAS 16, HKAS 24 and HKAS 38[5]
Annual Improvements to HKFRSs (2011-2013)	Amendments to HKFRS 1, HKFRS 3, HKFRS 13, and HKAS 40[1]
Annual Improvements to HKFRSs (2012-2014)	Amendments to HKFRS 5, HKFRS 7 and HKAS 19[3]

1 Effective for annual period beginning on or after 1 July 2014.

2 Effective for annual period beginning on or after 1 January 2018, with earlier application permitted.

3 Effective for annual period beginning on or after 1 January 2016, with earlier application permitted.

4 Effective for annual period beginning on or after 1 January 2017, with earlier application permitted.

5 Effective for annual period beginning on or after 1 July 2014, with limited exceptions earlier applicable is permitted.

The directors of the Company anticipate that the application of the other new and revised standards or interpretations will have no material impact on the Company's results and the financial position of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.2 Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services or for administrative purpose, are stated in the statement of financial position at cost less accumulated depreciation and accumulated impairment losses (see note 3.6).

When a lease includes both land and building elements, the Company assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Company.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "land lease premium" in the statement of financial position and is amortised over the lease term on a straight-line basis.

Buildings are depreciated over the shorter of the term of the lease of land on which the buildings are erected, or 50 years.

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds on disposal and the carrying amount of the item.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Property, plant and equipment (Continued)

Depreciation is provided to write off the cost or revalued amounts less their residual values over their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Land and buildings	over the lease terms
Leasehold improvements	8 years
Plant and machinery	7 years
Motor vehicles	7 years
Furniture and office equipment	5 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting period. The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any revaluation surplus remaining in equity is transferred to retained earnings on the disposal of land and buildings.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

3.3 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.3.1 Financial assets

Financial assets are classified as loans and receivables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Financial instruments (Continued)

3.3.1 Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, prepayment, deposits and other receivables and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Financial instruments (Continued)

3.3.1 Financial assets (Continued)

Impairment of financial assets (Continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Financial instruments (Continued)

3.3.2 Financial liabilities and equity instruments

Debt and equity instruments issued by a Company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade payables, other payables and accruals, amount due to the ultimate holding company are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3.3.3 Derecognition

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Financial instruments (Continued)

3.3.3 Derecognition (Continued)

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.4 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average cost formula, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the reporting period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the reporting period in which the reversal occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of presentation in the statement of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

3.6 Impairment

At the end of reporting period, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Foreign currencies

The primary functional currency of entities within the Company is RMB. The Company adopted RMB as its presentation currency in the preparation of the annual financial statements, which is the currency of the primary economic environment in which most of the Company's entities operate.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in currencies other than the functional currency are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

3.8 Revenue recognition

Revenue comprises the fair value for the sale of goods, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

- Interest income is recognised on a time-proportion basis using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Income taxes

Income tax comprises current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Retirement benefit costs and short term employee benefits

Retirement benefits to employees are provided through defined contribution plans.

3.10.1 Defined contribution plan

Pursuant to the relevant regulations of the government of the PRC, Company operating in the PRC participate in a local municipal government retirement benefits scheme (the "PRC Scheme"), whereby the Company are required to make contributions, as calculated under the rules specified by the relevant PRC local government authorities, to the PRC Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the Company. The only obligation of the Company with respect to the PRC Scheme is to pay the ongoing required contributions under the PRC Scheme mentioned above. Contributions under the PRC Scheme are charged to profit or loss as incurred. There are no provisions under the PRC Scheme whereby forfeited contributions may be used to reduce future contributions.

3.10.2 Short term employee benefits

(i) Provisions for bonus due are recognised when the Company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(ii) Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Share-based employee compensation

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Company's operations. Employees (including directors) of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is ultimately recognised as an expense in profit or loss in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

3.12 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Company determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Payments for obtaining rights for using land use rights are accounted as land lease premium and charge to profit or loss on a straight-line basis over the lease terms. Rights for using land use rights which are to be charged to profit or loss in the next twelve months or less are classified as current assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Leases (Continued)

3.12.1 Classification of assets leased to the Company

Assets that are held by the Company under leases which transfer to the Company substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Company are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Company, or taken over from the previous lessee.

3.12.2 Operating lease charges as the lessee

Where the Company has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.14 Related parties

For the purposes of these financial statements, related parties include a person and entity as defined below:

(a) A person or a close member of that person's family is related to the Company if that person:

- (i) is a member of the key management personnel of the Company or of a parent of the Company;
- (ii) has control over the Company; or
- (iii) has joint control or significant influence over the reporting entity or has significant voting power in it.

(b) An entity is related to the Company if any of the following conditions applies:

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) either entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of a third entity;
- (iv) either entity is a joint venture of a third entity and the other entity is an associate of the third entity;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Related parties (Continued)

(b) (Continued)

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Company's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may difference from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.1 Useful life of property, plant and equipment

The Company estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Company also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

4.2 Estimated impairment of assets

The Company tests annually whether the assets has suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.3 Estimated impairment of receivables

The Company's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers/borrowers and current market conditions. Management reassesses the impairment of receivables at the end of the reporting period.

4.4 Income taxes

The Company is subject to income taxes in the PRC. Significant judgment is required in determining the amount of the provision for income taxes and the timing of payment of related taxes. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which the tax outcome is realisable.

4.5 Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at the end of the reporting period.

5. SEGMENT INFORMATION

Information reported to the Board of Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered by the Company's operating divisions.

The Company's operating and reportable segments under HKFRS 8 are therefore as follows:

- Sales of unleaded gasoline additives: this segment produces and sells innovation environmental protection energy material and products and fuel oil additives.

- Sales of mercaptoacetic acid isooctyl: this segment produces and sells thiol products.

5.1 Segment revenue and results

	Segment revenue		**Segment results**	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unleaded gasoline additives	**36,048**	35,191	**12,550**	9,960
Mercaptoacetic acid isooctyl	**22,627**	21,995	**8,508**	5,631
Total	**58,675**	57,186	**21,058**	15,591
Other revenue			**60**	1,832
Depreciation and amortisation			**(159)**	(141)
Loss on disposal of property, plant and equipment			**–**	(276)
Other corporate expenses			**(14,684)**	(71,571)
Profit/(Loss) before taxation			**6,275**	(54,565)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the both years.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 3. Segment result represents the profit/(loss) by each segment without allocation of corporate income and expenses, central administrative costs, directors' salaries, loss on disposal of property, plant and equipment. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

5. SEGMENT INFORMATION (Continued)

5.2 Segment assets and liabilities

	Segment assets		Segment liabilities	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unleaded gasoline additives	**42,183**	51,349	**5,950**	4,870
Mercaptoacetic acid isooctyl	**7,909**	9,606	**3,734**	2,577
Subtotal	**50,092**	60,955	**9,684**	7,447
Unallocated	**58,851**	41,548	**8,020**	8,533
Total	**108,943**	102,503	**17,704**	15,980

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than assets classified as held for sale refundable deposit, other receivables and cash and bank balance. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and

- all liabilities are allocated to reportable segments other than current tax liabilities and due to the ultimate holding company. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

5.3 Other segment information

	Depreciation and amortisation		Capital expenditures	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unleaded gasoline additives	**1,303**	1,594	**–**	–
Mercaptoacetic acid isooctyl	**754**	1,243	**–**	–
Unallocated	**159**	141	**–**	–
	2,216	2,978	**–**	–

5. SEGMENT INFORMATION (Continued)

5.4 Geographical information

All the Company's income and profit are derived from operation carried in the PRC. In addition, all the Company's non-current assets are located in the PRC. Accordingly, no analysis of the Company's segmental information by geographical segments is presented.

5.5 Information about major customers

The following is an analysis of revenue from customers contributing over 10% of the total revenue:

	2014	2013
	RMB'000	*RMB'000*
Customer A	**11,738**	11,447
Customer B	**10,888**	10,548
Customer C	**6,347**	6,333
Customer D	**6,696**	6,062
Customer E	**6,473**	6,017
Customer F	**–**	5,773

Excepts for the customers stated above, there is no other single customer contributing over 10% of total revenue for the both year.

6. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns, trade discounts and net of value added tax during the year. An analysis of revenue is as follows:

	2014	2013
	RMB'000	*RMB'000*
Unleaded gasoline additivies	**36,048**	35,191
Mercaptoacetic acid isooctyl	**22,627**	21,995
	58,675	57,186

7. OTHER REVENUE AND OTHER GAINS OR LOSSES, NET

	2014	2013
	RMB'000	*RMB'000*
Bank interest income	**57**	63
Impairment loss on trade and other receivables, prepayments and deposits	**(5,863)**	(67,089)
Reversal of impairment loss on trade receivables	**2,190**	655
Sundry income	**3**	1,769
	(3,613)	(64,602)

8. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is arrived at after charging:

	2014	2013
	RMB'000	*RMB'000*
Amortisation of land lease premium	**210**	210
Auditor's remuneration		
– audit services	**600**	600
Staff costs (including directors' and supervisors' remuneration) *(Note 9)*		
– Wages and salaries	**2,007**	1,815
– Defined contribution scheme	**132**	162
	2,139	1,977
Cost of inventories sold	**41,079**	39,505
Depreciation of property, plant and equipment	**2,006**	2,768
Loss on disposal of property, plant and equipment	**–**	276

9. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

		Year ended 31 December 2014		
	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of directors				
Executive directors				
Wang Cong	–	120	8	128
Wang Feng	–	60	8	68
Yang Xiaohuai	–	60	8	68
Tian Lingling	–	60	8	68
Zhou Jin *(Note a)*	–	40	8	48
Non-executive directors				
Gao Peng *(Note b)*	33	–	–	33
Wong Hong Kit *(Note c)*	40	–	–	40
Simon Luk *(Note d)*	40	–	–	40
	113	340	40	493
Independent non-executive directors				
Li Gangjian	50	–	–	50
Chen Tao *(Note e)*	33	–	–	33
Zhao Boxiang	50	–	–	50
Zhao Xiaoning	50	–	–	50
	183	–	–	183
Total directors' emoluments for 2014	296	340	40	676
Name of supervisors				
Zeng Yinglin	–	60	8	68
Zhang Xiao Ping	–	24	5	29
Xing Manli	–	36	5	41
Duan Lin	–	30	–	30
Wang Gong Xun	–	30	–	30
Total supervisors' emoluments for 2014	–	180	18	198
Total	296	520	58	874

9. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

	Year ended 31 December 2013			
	Fees *RMB'000*	Salaries and other benefits *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *RMB'000*
Name of directors				
Executive directors				
Wang Cong	–	120	8	128
Wang Feng	–	60	8	68
Yang Xiaohuai	–	60	8	68
Tian Lingling	–	60	8	68
Zhou Jin	–	60	8	68
Non-executive directors				
Gao Peng	50	–	–	50
Wong Hong Kit	60	–	–	60
Simon Luk	60	–	–	60
Zheng Rongfang *(Note f)*	–	–	–	–
	170	360	40	570
Independent non-executive directors				
Li Gangjian	50	–	–	50
Chen Tao	50	–	–	50
Zhao Boxiang	50	–	–	50
Zhao Xiaoning	50	–	–	50
	200	–	–	200
Total directors' emoluments for 2013	370	360	40	770
Name of supervisors				
Zeng Yinglin *(Note g)*	–	60	8	68
Zhang Xiaoping	–	36	5	41
Xing Manli	–	24	5	29
Duan Lin	–	30	–	30
Wang Gongxun	–	30	–	30
Total supervisors' emoluments for 2013	–	180	18	198
Total	370	540	58	968

9. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

Note:

a) Ms. Zhou Jin resigned as the executive director on 12 August 2014.

b) Mr. Gao Peng resigned as non-executive director on 12 August 2014.

c) Mr. Wong Hong Kit resigned as non-executive director on 12 August 2014.

d) Mr. Simon Luk resigned as non-executive director on 12 August 2014.

e) Mr. Chen Tao resigned as independent non-executive director on 12 August 2014.

f) Mr. Zheng Rongfang resigned as non-executive director on 3 January 2012.

g) Mr. Zeng Yinglin resigned as the executive director and re-appointed as the supervisor and chairman of supervisory committee on 28 December 2012.

10. EMPLOYEES' EMOLUMENTS

The five highest paid individuals are all directors and supervisors, details of whose emoluments are included in Note 9 to the financial statements.

11. INCOME TAX EXPENSE

Income tax recognised in profit or loss

	2014	2013
	RMB'000	*RMB'000*
Current tax:		
PRC corporate income tax		
– provision for the year	**1,559**	1,800

(a) An uniform corporate income tax ("CIT") of 25% became generally applicable to all domestic and foreign investment enterprises established in the PRC, subject to certain exemptions with effect from 1 January 2008.

According to the relevant laws and regulations in the PRC, the Company and its branch being registered as a New and High Technology Enterprise since 2008, is entitled to a preferential CIT rate of 15%.

(b) No provision for Hong Kong profits tax has been made as the Company's income neither arises in, nor is derived from, Hong Kong.

11. INCOME TAX EXPENSE (Continued)

The tax charge for the year can be reconciled to the profit/(loss) per the statement of profit or loss and other comprehensive income as follows:

	2014	2013
	RMB'000	RMB'000
Profit/(Loss) before taxation	**6,275**	(54,565)
Tax at the statutory tax rates	**942**	(8,185)
Income not subject to tax	**(3)**	(133)
Expenses not deductible for tax	**620**	10,118
Income tax expense for the year	**1,559**	1,800

12. DIVIDENDS

The Directors do not recommend the payment of any final dividend in respect of both years.

13. EARNING/(LOSS) PER SHARE

The calculation of the basic earning/(loss) per share is based on the profit for the year of approximately RMB4,716,000 (Loss for the year 2013: RMB56,365,000) and the weighted average number of 910,000,000 (2013: 910,000,000) shares in issue during the year.

Diluted earning/(loss) per share is equal to basic earning/(loss) per share as there were no dilutive potential ordinary shares outstanding for both years.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *RMB'000*	Leasehold improvements *RMB'000*	Plant and equipments *RMB'000*	Furniture, fixtures and equipments *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
At cost:						
At 1 January 2013	19,376	3,883	30,730	2,289	760	57,038
Disposal	(12)	–	(677)	(344)	(760)	(1,793)
At 31 December 2013, 1 January 2014 and 31 December 2014	19,364	3,883	30,053	1,945	–	55,245
Accumulated depreciation and impairment:						
At 1 January 2013	6,012	3,883	25,957	2,083	749	38,684
Charge for the year	588	–	2,178	–	2	2,768
Written back on disposal	(5)	–	(430)	(323)	(751)	(1,509)
At 31 December 2013 and at 1 January 2014	6,595	3,883	27,705	1,760	–	39,943
Charge for the year	609	–	1,397	–	–	2,006
At 31 December 2014	7,204	3,883	29,102	1,760	–	41,949
Net carrying value:						
At 31 December 2014	12,160	–	951	185	–	13,296
At 31 December 2013	12,769	–	2,348	185	–	15,302

15. LAND LEASE PREMIUM

	2014	2013
	RMB$'000	*RMB$'000*
At cost:		
Carrying value at 1 January	**7,248**	7,458
Amortisation	**(210)**	(210)
Carrying value at 31 December	**7,038**	7,248
Non-current portion	**(6,828)**	(7,038)
Current portion classified as current assets	**210**	210

The land lease premium represents land situated in the PRC under medium term. The cost of the interest in leasehold land held for own use was approximately of RMB10,240,000 (2013: approximately of RMB10,240,000).

The amortisation charge for the year is included in "administrative expenses" in the statement of profit or loss and other comprehensive income.

16. INVENTORIES

	2014	2013
	RMB$'000	*RMB$'000*
Raw materials	**880**	859
Finished goods	**201**	490
	1,081	1,349

The amount of inventories recognised as an expense for inventories sold during the year was approximately RMB41,079,000 (2013: RMB39,505,000).

17. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2014	2013
	RMB'000	*RMB'000*
Trade receivables *(note (b))*	**26,741**	27,934
Other receivables	**299**	223
Loans and receivables	**27,040**	28,157
Prepayments and deposits *(note (f))*	**11,733**	16,021
	38,773	44,178

a) All of the trade and other receivables, apart from prepayments and deposits are expected to be recovered within one year.

b) An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2014	2013
	RMB'000	*RMB'000*
0 – 90 days	**6,346**	16,081
91 – 180 days	**7,269**	9,538
181 – 365 days	**8,910**	11,568
Over 365 days	**31,525**	14,383
	54,050	51,570
Less: Accumulated impairment loss on trade receivables	**(27,309)**	(23,636)
	26,741	27,934

Trading terms with customers are largely on credit, except for new customers, where trade deposits or payments in advance are normally required. Invoices are normally payable within 90 days. Longer credit period will also be granted to exceptional customer. The Company seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management. Trade receivables are non-interest bearing.

c) Credit is offered to customers following an assessment of their financial abilities and payment track record. Credit limits are set out for all customers and these can be exceeded only with the approval of senior officers of the Company. Business with customers considered to have a credit risk is conducted on a cash basis. Management monitors overdue trade receivables and follows up collections.

17. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

d) The movement in the provision for impairment of trade receivables is as follows:

	2014	2013
	RMB'000	*RMB'000*
At 1 January	**23,636**	22,202
Impairment losses on trade receivables	**5,863**	2,089
Reversal of impairment losses on trade receivables	**(2,190)**	(655)
At 31 December	**27,309**	23,636

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Company is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

Written back of impairment loss on trade receivables represents the recovery of debts due from these trade receivables previously considered to be impaired. An allowance for the non-recoverable amounts that had been made in previous years was written back accordingly.

As at 31 December 2014, trade receivables of the Company amounting to approximately RMB27,309,000 (2013: RMB23,636,000) were individually determined to be impaired and full provision had been made. These individually impaired receivables had been outstanding for over 1 year as at the end of the reporting period or were due from companies with financial difficulties. Accordingly, specific allowances for doubtful debts of approximately RMB5,863,000 (2013: RMB2,089,000) were recognised during the year. The Company does not hold any collateral over these balances. The factors which the Company considered in determining whether these trade receivables was individually impaired include the following:

– Significant financial difficulty of the debtors;

– Receivables that have been outstanding for a certain period;

– The Company is granting to the debtors, for economic or legal reasons relating to the debtors' financial difficulty, a concession that the Company would not otherwise consider;

– It is becoming probable that the debtor will enter into bankruptcy or other financial reorganisation; and

17. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

d) The movement in the provision for impairment of trade receivables is as follows: (Continued)

– Observable data indicating that there is a measurable decrease in the estimated future cash flows from the debtor since their initial recognition, although the decrease cannot yet be identified including:

– Adverse changes in the payment status of debtors of the Company; and

– Economic conditions that correlate with defaults on the trade and other receivables, prepayments and deposits of the Company.

e) In addition, some of the unimpaired trade receivables are past due as at the end of the reporting period. Ageing analysis of trade receivables past due but not impaired is as follows:

	2014	2013
	RMB'000	*RMB'000*
Neither past due nor impaired	**6,346**	16,081
Less than 6 months past due	**7,269**	9,538
More than 6 months but less than 1 year past due	**13,126**	2,315
Total trade receivables, net	**26,741**	27,934

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. The Company's management considers that trade receivables that are past due but not impaired as at the end of the reporting period are of good credit quality. The Company does not hold any collateral over these balances.

f) In prior years, the Company paid investment deposits of RMB65,000,000 for a proposed investment and for formation of joint venture in the PRC as detailed below:

(a) On 4 December 2011, the Company entered into acquisition agreement for acquisition of entire interest of 陝西紫晶能源有限公司, from an independent third party on 4 December 2011, and paid investment deposit of RMB44,000,000.

(b) On 5 November 2012, the Company entered into joint venture agreement with 西安聚源智能電器有限公司 for the formation of the joint venture which will be engaged in the construction and operation of CNG station in Xi'an, Shaanxi Province, the PRC, and paid investment deposit of RMB7,000,000.

17. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

f) (Continued)

(c) On 12 November 2012, the Company entered into joint venture agreement with 西安旺飛物流有限公司for the formation of the joint venture which will be engaged in the construction and operation of CNG station in Xi'an, Shaanxi Province, the PRC, and paid investment deposit of RMB7,000,000.

(d) On 21 November 2012, the Company entered into joint venture agreement with 陝西魯誠實業有限公司for the formation of the joint venture which will be engaged in the construction and operation of CNG station in Xi'an, Shaanxi Province, the PRC, and paid investment deposit of RMB7,000,000.

In the opinion of the directors of the Company, due to the unexpected delay in the progress of negotiation, in which many condition have changed, certain terms and conditions were unlikely to be fulfilled. Accordingly, such investment deposits were impaired, and such impairment has no relationship with the Company's normal business.

18. TRADE PAYABLES

An aging analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2014	2013
	RMB'000	*RMB'000*
0 day to 90 days	**–**	61
91 days to 180 days	**–**	–
181 days to 365 days	**–**	–
Over 365 days	**461**	400
	461	461

19. OTHER PAYABLES AND ACCRUALS

All of the Company's other payables and accruals are expected to be settled or recognised as income within one year or are repayable on demand.

20. AMOUNT DUE TO THE ULTIMATE HOLDING COMPANY

The amount due to the ultimate holding company is unsecured, non-interest bearing and is repayable on demand.

21. SHARE CAPITAL

	Number of Shares	Amount
Registered shares of RMB0.1 each	*'000*	*RMB'000*
Registered, issued and fully paid:		
At 1 January 2013, 31 December 2013, at 1 January 2014 and 31 December 2014		
– Domestic shares	680,000	68,000
– H shares	230,000	23,000
	910,000	91,000

22. RESERVES

Details of movement in the Company's reserves have been set out in the statement of changes in equity on page 29.

Nature and purpose of reserves

Share premium

The share premium represents the difference between the nominal amount of share capital and amounts received on issue of shares. The application of the share premium account of the Company is governed by the PRC Company Law.

Statutory surplus reserve

As stipulated by the relevant laws and regulations in the PRC, the Company is required to set aside 10% of its profit after taxation of its statutory financial statements for the statutory surplus reserve (except where the reserve has reached 50% of the Company's registered capital). As a joint stock limited company, statutory surplus reserve can be used to (i) make up prior years losses; (ii) convert into capital, provided such conversion is approved by a resolution at a shareholders' meeting and the balance of the statutory surplus reserve does not fall below 25% of the Company's registered capital.

22. RESERVES (Continued)

Nature and purpose of reserves (Continued)

Statutory welfare fund

According to the relevant PRC laws and regulations, the Company is required to set aside 5% to 10% of its profit after taxation of its statutory financial statements for the statutory welfare fund. Such fund can be used for enterprise development and the staff welfare only and are not available for profit distribution. With effective from 1 January 2006, the Company is not required to provide statutory welfare fund for profit distribution.

Distributable reserves

Profit distribution is subject to the approval of the board of directors. In accordance with the Articles of Association of the Company, the reserve available for distribution is the lower of the amount determined under the accounting principles generally accepted in the PRC and the amount determined under accounting principles generally accepted in Hong Kong.

23. SHARE OPTION SCHEME

The Company's share option scheme was approved by a resolution of the Shareholders of the Company dated 6 June 2003 (the "Share Option Scheme"). The share option scheme was expired on 6 June 2013, the details are as follows:

a) Participants of the share option scheme

The Board of Directors (the "Board") may invite any employees including any executive director ("Employees") to take up options to subscribe for H Shares of the Company (the "Shares").

b) Payment on acceptance of option offer

HK$1 is payable by the Employees to the Company on acceptance of the option offer.

c) Price of shares

The subscription price for H Shares under the Share Option Scheme will be determined by the Board and notified to each grantee and will be no less than the higher of (a) the closing price of the H Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a trading day, (b) the average closing prices of the H Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer and (c) the nominal value of the H Share.

23. SHARE OPTION SCHEME (Continued)

d) Maximum number of shares

The total number of H Shares subject to the Share Option Scheme must not, in aggregate, exceed 30% of issued H Shares of the Company in issue from time to time subject to this:

i) The total number of H Shares available for issue under options which may be granted under the Share Option Scheme and any other schemes, must not in aggregate, exceed 10% of the number of the H Shares of the Company in issue as at the date of approval unless further Shareholders' approval has been obtained pursuant to paragraph (ii) or (iii) or (iv) below;

ii) The Board may seek approval of Shareholders in general meeting to renew the 10% limit in paragraph (i). However, the total number of H Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other schemes of the Company under the limit as renewed must not exceed 10% of the number of H Shares of the Company in issued as at the date of the approval to renew the limit;

iii) The Board may seek separate shareholders' approval in general meeting to grant options beyond 10% limit provided that (i) the total number of H Shares subject to the Share Option Scheme and other such schemes of the Company does not in aggregate exceed 30% of the total number of H Shares of the Company in issue at the date of approval and (ii) the options in excess of the 10% limit are granted only to participants specified by the Board before such approval is sought;

iv) No Employees shall be granted an option which, if all the options granted to the Employee (including both exercised and outstanding options) in any 12-month period up to the date of the grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the number of H Shares of the Company issued, unless approved by shareholders in general meeting, with such Employee and his associates abstaining from voting; and

v) Each grant of options to a connected person (as defined in the GEM Listing Rules) must be approved by the independent non-executive directors (excluding independent non-executive director who is the grantee of the options). Where any grant of options to a substantial shareholder (as defined in the GEM Listing Rules) or an independent non-executive director, or any of their respective associates, would result in the H Shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the H Shares in issue and having an aggregate value, based on the closing price of H Shares at the date of each grant, in excess of HK$5 million, such further grant of options must be approved by the shareholders.

23. SHARE OPTION SCHEME (Continued)

e) Time of exercise of option

No Employees who are PRC nationals and have taken up any options to subscribe for H Shares shall be entitled to exercise any such options until (a) the H Shares restrictions have been abolished or removed and; (b) approvals have been obtained from the China Securities Regulatory Commission or other relevant government authorities in the PRC for the exercise of any options which may be granted under the Share Option Scheme. Subject to the above, an option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period (the "Option Period") to be notified by the Board to each grantee provided that the period within which the option must be exercised shall be not less than three years and not more than ten years from the date of grant of the option.

f) Period of the share option scheme

The Share Option Scheme will remain valid for a period of 10 years commencing on the date on which the scheme was adopted and approved by the shareholders of the Company (save that the Company, by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme). After termination, no further options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

No option has been granted by the Company under the Share Option Scheme since its adoption.

24. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances with related parties detailed elsewhere in these financial statements, the Company had the following material transactions with related parties during the year:

(a) At the end of respective reporting period, the Company had the following balances with related parties:

	2014	2013
	RMB'000	*RMB'000*
Amount due to the ultimate holding company	**3,081**	3,276

(b) Compensation of key management personnel of the Company:

Remuneration for key management personnel of the Company, including amounts paid to the Company's directors is disclosed in Note 9 to the financial statement

25. RETIREMENT BENEFIT SCHEME

The Company contributed to a local municipal government retirement scheme for all qualified employees in the PRC. The employer and its employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Company with respect to the retirement scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The total cost charged to the statement of profit or loss and other comprehensive income of approximately RMB132,000 (2013: approximately RMB162,000) represents contributions payable to the scheme by the Company during the year.

Law of the PRC on Employment Contracts (the "Employment Contract Law") was adopted by the Standing Committee of the National People's Congress of the PRC in 2007 and became effective on 1 January 2008. Compliance with the requirements under the new law, in particular, the requirement of severance payment and non-fixed term employment contracts, will increase the Company's labour costs.

Pursuant to the Employment Contract Law, the Company is required to enter into non-fixed term employment contract with employees who has worked for the employer for more than 10 years or whom a fixed term employment has been concluded for 2 consecutive terms. The employer is required to make severance payment to the employee when the term of the employment contract expires unless the employee voluntarily terminate the contract or voluntarily reject the offer to renew the contract in which the terms are no worse off than the terms of other employment contracts available to him/her. The severance payment will be equal to the monthly wages times the number of full years that the employee has been working for the employer. The minimum wages requirement has also been imposed. Fines will be imposed for any breach of the Employment Contract Law.

The Company has no other material obligation for the payment of retirement benefits associated with the schemes beyond the contribution described above.

26. RISK MANAGEMENT OBJECTIVES AND POLICES

The Company does not employ a conservative strategy regarding its risk management. As the Company's exposure to market risks is kept at a minimum level, the Company has not used any derivatives or other instruments for hedging purposes.

The Company's principal financial instruments mainly comprise of cash and cash equivalents, trade and other receivables, prepayments and deposits, amount due to the ultimate holding company, trade payables and other payables and accruals. The most significant financial risks to which the Company is exposed and the financial risk management policies and practices used to manage these risks are described below.

Interest rate risk

The Company does not have material exposure to interest rate risk, as the Company has no financial assets and liabilities of material amounts with floating interest rates except for certain discounted bills with recourse and bank overdrafts. A reasonably possible change in interest rate in the next twelve months is assessed, which could have immaterial change in the Company's loss after tax and retained earnings. Changes in interest rates have no impact on the Company's other components of equity. The Company adopts centralised treasury policies in cash and financial management and focuses on reducing the Company's overall interest expense.

Foreign currency risk

Most of the Company's monetary assets and liabilities are denominated in Renminbi and the Company conducted its business transactions principally in Renminbi. The Company currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure if necessary.

26. RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

Credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

The Company's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customer operates. Trade receivables are normally due within 90 days of the billing date. Normally, the Company does not obtain collateral from customers.

At the end of reporting period, the Company has a concentration of credit risk as 7% and 45% (2013: 22% and 74%) of trade receivables was due from the largest customer and the largest 5 customers.

The credit risk on liquid funds is limited because the counter parties are banks.

Further quantitative data in respect of the Company's exposure to credit risk arising from trade receivables are disclosed in Note 17 to the financial statements.

26. RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

Liquidity risk

The Company's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Company will raise additional funding from the realisation of its assets if required.

At 31 December 2014 and 31 December 2013, the remaining contractual maturity of the Company's financial liabilities which are based on undiscounted cash flows are summarised below:

	Within 1 year or on demand *RMB'000*	**Total uncontractual undiscounted cash flow** *RMB'000*	**Carrying amount** *RMB'000*
At 31 December 2014			
Trade payables	**461**	**461**	**461**
Other payables and accruals	**9,224**	**9,224**	**9,224**
Amount due to the ultimate holding company	**3,081**	**3,081**	**3,081**
	12,766	**12,766**	**12,766**

	Within 1 year or on demand *RMB'000*	Total uncontractual undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
At 31 December 2013			
Trade payables	461	461	461
Other payables and accruals	6,986	6,986	6,986
Amount due to the ultimate holding company	3,276	3,276	3,276
	10,723	10,723	10,723

The carrying amounts of the Company's financial assets and liabilities recognised at the end of reporting period may also be categorised as follows. See Note 3.3 for explanations on how the category of financial instruments affects their subsequent measurement.

26. RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

Financial assets

	2014	2013
	RMB'000	*RMB'000*
Loans and receivables		
Trade receivables	**26,741**	27,934
Other receivables	**299**	223
Cash and cash equivalents	**48,755**	34,426
	75,795	62,583

Financial liabilities

	2014	2013
	RMB'000	*RMB'000*
Financial liabilities measured at amortised cost		
Trade payables	**461**	461
Other payables and accruals	**9,224**	6,986
Amount due to the ultimate holding company	**3,081**	3,276
	12,766	10,723

Fair values

The fair values of the Company's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

No financial instruments that are measured subsequent to initial recognition at fair value ground into Levels 1 to 3 in accordance with disclosure requirement under HKFRS 7 for both years.

27. CAPITAL MANAGEMENT

Capital includes equity attributable to the equity holders of the Company. The primary objectives of the Company's capital management are:

(a) To safeguard the Company's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

(b) To support the Company's stability and growth; and

(c) To provide capital for the purpose of strengthening the Company's risk management capability. The Company actively and regularly reviews and manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 2013.

The financial leverage of the Company as at 31 December 2014, as compared to 31 December 2013 has been disclosed in the management discussion and analysis.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2015.

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**58,675**	57,186	53,908	46,106	53,069
Profit/(Loss) before taxation	**6,275**	(54,565)	11,647	10,444	10,193
Taxation	**(1,559)**	(1,800)	(1,339)	(440)	(409)
Net profit/(loss) for the year	**4,716**	(56,365)	10,308	10,004	9,784

ASSETS AND LIABILITIES

	At 31 December				
	2014	2013	2012	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**108,943**	102,503	160,724	149,885	139,014
Total liabilities	**(17,704)**	(15,980)	(17,836)	(17,305)	(16,438)
Total equity	**91,239**	86,523	142,888	132,580	122,576