



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
2015

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

	pages
CORPORATE INFORMATION	3
CHAIRMAN'S STATEMENT	4
MANAGEMENT DISCUSSION AND ANALYSIS	5
DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT	7
DIRECTORS' REPORT	11
CORPORATE GOVERNANCE REPORT	16
REPORT OF SUPERVISORY COMMITTEE	21
INDEPENDENT AUDITOR'S REPORT	22
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	24
STATEMENT OF FINANCIAL POSITION	25
STATEMENT OF CHANGES IN EQUITY	26
STATEMENT OF CASH FLOWS	27
NOTES TO THE FINANCIAL STATEMENTS	28
FIVE YEARS FINANCIAL SUMMARY	60

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 District
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 2015.

OPERATING PERFORMANCE

For the year ended 31 December 2015, the Company recorded a turnover of approximately RMB40,861,000, representing a decrease of 30% from the previous year and an after-tax profit of RMB4,307,000. The Board does not recommend paying any final dividend for the year ended 31 December 2015.

BUSINESS STRATEGY

In 2015, the Company's revenue from principal business significantly declined from last year due to external market factors. However, the Company's operational team enhanced cost control at various links, especially for raw material procurement, and enhanced its management of and control over production, sales and administrative expenses, as a result the Company's overall net profit margin increased.

PROSPECT

The Company will accelerate to cultivate new profit growth projects. 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 2016

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Company's turnover was approximately RMB40,861,000 for the financial year ended 31 December 2015, representing a decrease of approximately 30% over the previous year.

The Company's gross profit was approximately RMB15,506,000 for the financial year ended 31 December 2015, compared to approximately RMB17,596,000 last year. The gross profit margin of 2015 was approximately 37.95% (2014: 29.98%).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2015, the equity of owners of the Company was approximately RMB109,806,000 (2014: approximately RMB91,239,000); cash and bank balances were approximately RMB41,883,000 (2014: approximately RMB48,755,000); and current assets amounted to approximately RMB94,442,000 (2014: approximately RMB88,819,000). Current liabilities amounted to approximately RMB18,021,000 (2014: approximately RMB17,704,000). The Company's liquidity ratio, defined as total current assets over total current liabilities, from 5.02 as at 31 December 2014 to 5.24 as at 31 December 2015.

SIGNIFICANT INVESTMENT HELD AND MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

As at 31 December 2015, the Company completed the transaction in relation to acquisition of 10% equity interest in Best Rich (H.K.) Investment Limited through placing of 46 million H shares to Mr. Wang Jingkang on 2 October 2015 in accordance with a general mandate granted at the annual general meeting. The Company currently holds 10% equity interest in Best Rich (H.K.) Investment Limited. Please refer to the relevant announcement of the Company published on the website of the Stock Exchange.

As at 31 December 2015, the Company has no proposal in respect of disposal of subsidiaries and associates.

PLEDGE OF ASSETS

As at 31 December 2015, the Company had no pledge of assets.

GEARING RATIO

Gearing ratio, defined as total borrowings over net assets was 0% (same period of 2014: 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company achieved the following results for the financial year ended 31 December 2015:

Products and production

The Company's principal products were FA-90 unleaded gasoline additive ("FA-90") and 2-ETHYLHEXYL THIOGLYCOLATE (thiol products). The Company realised a sales income of approximately RMB40,861,000 for the year, representing an decrease of approximately 30% 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, and maintained cooperation with some of its traditional clients. Although its sales revenue dropped significantly compared to the previous year due to external environment, the Company was able to increase its gross profit margin as a result of its enhanced cost control at various links.

EMPLOYEES INFORMATION AND REMUNERATION POLICY

For the year ended 31 December 2015, staff remuneration of the Company amounted to approximately RMB2,442,000 (2014: RMB2,139,000). The Company employed a total of 82 staff (2014: 82). 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 puts more efforts into the development of new projects with growth potential in the future, new breakthroughs will be made, in particular in the clean energy area, and the Company will realize major transformation in its core business, which will have a positive role in the Company's future results of operation and sustainable development. The Company will continue to expand its business into new areas and strive for new business growth and significant increase in its profitability in order to create higher returns for its all shareholders.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Wang Cong (王聰), aged 58, 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 56, 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 55, 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 52, 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Li Gangjian (李剛劍), aged 52, 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 71, 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 61, 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 become 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

Zeng Yinglin (曾應林), aged 63, 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 42, 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 43, 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 (青海省海西州武警消防支隊). 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 53, 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 of Qinghai Sanjiangyuan Securities Company Limited (青海三江源證券有限公司) since 2001.

Wang Gongxun (王公遜), aged 79, 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).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

The company secretary of the Company is Mr. Leung Man Kit.

SENIOR MANAGEMENT

Bi Hongxia (畢紅霞), aged 39, 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 48, 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 a 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 BaTiO₃ 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 40, 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 52, 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 48, 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 43, 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 2015.

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 2015 are set out on page 24 of the annual report. The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2015.

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 2015 amounted to approximately RMB31.59 million (2014: approximately RMB26.74 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 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

DIRECTORS' REPORT

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 2015, 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%	63.76%
Zheng Rongfang	Beneficial owner	2,000,000	0.29%	0.21%
Wang Feng	Beneficial owner	2,000,000	0.29%	0.21%
Zeng Yinglin	Beneficial owner	2,000,000	0.29%	0.21%
Yan Buqiang	Beneficial owner	2,000,000	0.29%	0.21%
Wang Zheng	Beneficial owner	2,000,000	0.29%	0.21%
Guo Qiubao	Beneficial owner	2,000,000	0.29%	0.21%

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 2015, 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%	63.76%
Shaanxi Jing Dian Investment Company Limited (陝西精典投資有限公司)	Beneficial owner	58,500,000	8.60%	6.11%
Ding Xianguang (Note 2)	Interest of controlled corporation	58,500,000	8.60%	6.11%
Zhang Jianming (Note 2)	Interest of controlled corporation	58,500,000	8.60%	6.11%

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	4.69%	1.36%
Wang Jingkan	Beneficial owner	46,040,000	16.68%	4.82%

DIRECTORS' REPORT

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 2015, 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 2015, 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 35.08% and 32.65% of the Company's purchases, respectively.

Aggregate sales attributable to the Company's five largest customers accounted for approximately 86.22% of the total turnover. The largest customer accounted for approximately 26.3% 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's issued share capital had any interest in the five largest suppliers or customers during the year ended 31 December 2015.

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 2015

	Thiol products RMB'000	FA-90 RMB'000
Turnover	16,394	24,467
Cost of sales	(9,073)	(16,282)
Gross profit	<u>7,321</u>	<u>8,185</u>

For the year ended 31 December 2014

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

LITIGATION

As of 31 December 2015, 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 2015.

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 2015, 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 has been submitted to the annual general meeting of the Company to re-appoint Elite Partners CPA Limited as auditors of the Company.

CORPORATE GOVERNANCE REPORT

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 2015, 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

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 2015, 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.

CORPORATE GOVERNANCE REPORT

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 2015, the Board held six meetings.

Details of Directors' attendance records in 2015 are as follows:

	Number of board meeting attended/Total	Number of general meeting attended/Total
Executive Directors		
Mr. Wang Cong	6/6	1/1
Mr. Wang Feng	6/6	1/1
Mr. Yang Xiaohuai	6/6	1/1
Ms. Tian Lingling	6/6	1/1
Independent Non-Executive Directors		
Mr. Li Gangjian	6/6	0/1
Mr. Zhao Boxiang	6/6	0/1
Prof. Zhao Xiaoning	6/6	0/1

CORPORATE GOVERNANCE REPORT

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. Ms. Zhao Xiaoning has been appointed as 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 two meetings in 2015. The individual attendance record of each member is as follows:

	Number of meetings attended/Total
Executive Director	
Mr. Yang Xiaohuai	2/2
Independent Non-executive Directors	
Mr. Zhao Boxiang	2/2
Ms. Zhao Xiaoning (chairlady)	2/2

During the financial year ended 2015, 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, the majority of which being independent non-executive Directors. Mr. Wang Feng, Mr. Li Gangjian and Mr. Zhao Boxiang were appointed as members of the Nomination Committee and Mr. Zhao Boxiang is the chairman.

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 one meeting in 2015 and all members attended the meeting. The individual attendance record of each member is as follows:

	Number of meetings attended/Total
Executive Director	
Mr. Wang Feng	1/1
Independent Non-executive Directors	
Mr. Li Gangjian	1/1
Mr. Zhao Boxiang (chairman)	1/1

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 nonexecutive Director, Mr. Li Gangjian. Mr. Zhao Boxiang and Ms. Zhao Xiaoning, both independent non-executive directors, are 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 2015.

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

The Audit Committee held four meetings in 2015 discussing the Group's annual results for 2014, quarterly results for 2015, and reviewing internal control matters. The individual attendance record of each member is as follows:

	Number of meetings attended/Total
Independent Non-Executive Directors	
Mr. Li Gangjian	4/4
Mr. Zhao Boxiang	4/4
Ms. Zhao Xiaoning	4/4

During the financial year ended 2015, 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.

CORPORATE GOVERNANCE REPORT

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 30 December 2015.

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

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.

REPORT OF SUPERVISORY COMMITTEE

To the Shareholders:

In 2015, 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 2015. 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 fifteenth meeting of the third Supervisory Committee was held on 31 March 2015, which considered and approved the audited annual results report of the Company for the year ended 31 December 2014 and audited 2014 annual report.
2. The sixteenth meeting of the third Supervisory Committee was held on 12 May 2015, which considered and approved the unaudited first quarterly results report of the Company for the three months ended 31 March 2015.
3. The seventeenth meeting of the third Supervisory Committee was held on 14 August 2015, which considered and approved the unaudited interim results report of the Company for the six months ended 30 June 2015.
4. The eighteenth meeting of the third Supervisory Committee was held on 13 November 2015, which considered and approved the unaudited third quarterly results report of the Company for the nine months ended 30 September 2015.

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

In 2015, the Supervisory Committee devoted more efforts to supervise the management. The Supervisory Committee considered:

1. In 2015, 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 2015 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 2016

INDEPENDENT AUDITOR'S REPORT



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

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 24 to 59, which comprise the statement of financial position as at 31 December 2015 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 2015 of its financial performance 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 2016

Ng Man Chung Siman

Practising Certificate Number: P03122

10th Floor, 8 Observatory Road,
Tsim Sha Tsui, Kowloon,
Hong Kong

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	6	40,861	58,675
Cost of sales		(25,355)	(41,079)
Gross profit		15,506	17,596
Other revenue and other gains and losses, net	7	(658)	(3,613)
Distribution and selling expenses		(3,239)	(2,499)
Administrative expenses		(6,102)	(5,209)
Operating profit		5,507	6,275
Finance costs		–	–
Profit before taxation	8	5,507	6,275
Income tax expense	11	(1,200)	(1,559)
Profit for the year		4,307	4,716
Other comprehensive income		–	–
Total comprehensive income for the year		4,307	4,716
Earning per share			
– Basic and diluted	13	RMB0.005	RMB0.005

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	14	12,507	13,296
Available-for-sale financial assets	15	14,260	–
Land lease premium	16	6,618	6,828
		33,385	20,124
Current assets			
Land lease premium	16	210	210
Inventories	17	728	1,081
Trade receivables	18	31,586	26,741
Prepayments, deposits and other receivables	18	20,035	12,032
Cash and cash equivalents		41,883	48,755
		94,442	88,819
Current liabilities			
Trade payables	19	410	461
Other payables and accruals		9,235	9,224
Amount due to the ultimate holding company	20	3,339	3,081
Tax liabilities		5,037	4,938
		18,021	17,704
Net current assets		76,421	71,115
Net assets		109,806	91,239
Capital and reserves			
Share capital	21	95,600	91,000
Reserves	22	14,206	239
Total equity		109,806	91,239

Approved and authorised for issue by the board of directors on 31 March 2016.

Wang Cong
Director

Yang Xiaohuai
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Statutory welfare fund RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 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 and 1 January 2015	91,000	25,880	13,251	5,493	(44,385)	91,239
Profit for the year and total comprehensive income for the year	-	-	-	-	4,307	4,307
Issue of consideration shares	4,600	9,660	-	-	-	14,260
Transfers	-	-	431	-	(431)	-
At 31 December 2015	95,600	35,540	13,682	5,493	(40,509)	109,806

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
Operating activities		
Profit before taxation	5,507	6,275
Adjustments for:		
Reversal of impairment loss on trade receivables	(3,611)	(2,190)
Impairment loss on trade receivables	4,332	5,863
Amortisation of land lease premium	210	210
Depreciation of property, plant and equipment	789	2,006
Interest income	(63)	(57)
Operating profit before working capital changes	7,164	12,107
Decrease in inventories	353	268
Increase in trade receivables	(5,566)	(2,480)
(Increase)/decrease in other receivables, prepayments and deposits	(8,003)	4,212
Decrease in trade payables	(51)	–
Increase in accruals and other payables	11	2,238
Cash (used in)/generated from operations	(6,092)	16,345
Income tax paid	(1,101)	(1,878)
Net (used in)/cash generated from operating activities	(7,193)	14,467
Investing activity		
Interest received	63	57
Net cash generated from investing activity	63	57
Financing activity		
Amount due from/(to) ultimate holding company	258	(195)
Net cash generated/(used in) from financing activity	258	(195)
Net (decrease)/increase in cash and cash equivalents	(6,872)	14,329
Cash and cash equivalents at 1 January	48,755	34,426
Cash and cash equivalents at 31 December		
Cash and bank balances	41,883	48,755

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 was 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 2015:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

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 2015:

HKFRS 9	Financial Instruments: Hedge accounting and impairment ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ¹

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

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

³ Effective for annual periods beginning on or after a date to be determined.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

2.2 Standards and Interpretations is issued but not yet adopted (Continued)

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") and by the Hong Kong Companies Ordinance (the "CO").

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the GEM Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly, the presentation and disclosure of information in the financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or GEM Listing Rules but not under the new CO or amended GEM Listing Rules are not disclosed in these financial statements.

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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in the HKAS 2 or value in use in HKAS 36.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included with Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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.

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Property, plant and equipment (Continued)

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 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.

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 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.

3.4.1 Financial assets

Financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Financial instruments (Continued)

3.4.1 Financial assets (Continued)

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.

Available-for-sale financial assets ("AFS financial assets")

AFS financial assets are non-derivatives that are either designated available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets "at fair value through profit or loss".

AFS financial assets are measured at fair value at the end of the each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of available-for-sale investments revaluation reserve. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss on financial assets below).

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Financial instruments (Continued)

3.4.1 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.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the reporting period.

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.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available-for-sale investments revaluation reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Financial instruments (Continued)

3.4.2 *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.

3.4.3 *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.

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 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.

3.6 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.

3.7 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)

3.8 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.

3.9 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.

3.10 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Income taxes (Continued)

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.

3.11 Retirement benefit costs and short term employee benefits

Retirement benefits to employees are provided through defined contribution plans.

3.11.1 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.

3.11.2 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)

3.12 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.

3.13 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;
 - (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).

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 differ 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.

4.3 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

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	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Unleaded gasoline additives	24,467	36,048	6,606	12,550
Mercaptoacetic acid isooctyl	16,394	22,627	7,472	8,508
Total	40,861	58,675	14,078	21,058
Other revenue			63	60
Depreciation and amortisation			(16)	(159)
Other corporate expenses			(8,618)	(14,684)
Profit before taxation			5,507	6,275

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 financial performance 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. SEGMENT INFORMATION (Continued)

5.2 Segment assets and liabilities

	Segment assets		Segment liabilities	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Unleaded gasoline additives	50,905	42,183	5,775	5,950
Mercaptoacetic acid isooctyl	10,283	7,909	3,869	3,734
Subtotal	61,188	50,092	9,644	9,684
Unallocated	66,639	58,851	8,377	8,020
Total	127,827	108,943	18,021	17,704

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	
	2015 RMB'000	2014 RMB'000
Unleaded gasoline additives	631	1,303
Mercaptoacetic acid isooctyl	352	754
Unallocated	16	159
	999	2,216

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

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:

	2015 RMB'000	2014 RMB'000
Customer A	9,178	11,738
Customer B	7,216	10,888
Customer C	4,723	6,347
Customer D	4,692	6,696
Customer E	4,303	6,473

Except 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:

	2015 RMB'000	2014 RMB'000
Unleaded gasoline additives	24,467	36,048
Mercaptoacetic acid isooctyl	16,394	22,627
	40,861	58,675

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. OTHER REVENUE AND OTHER GAINS OR LOSSES, NET

	2015 RMB'000	2014 RMB'000
Bank interest income	63	57
Impairment loss on trade and other receivables, prepayments and deposits	(4,332)	(5,863)
Reversal of impairment loss on trade receivables	3,611	2,190
Sundry income	-	3
	(658)	(3,613)

8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2015 RMB'000	2014 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	2,300	2,007
- Defined contribution scheme	142	132
	2,442	2,139
Cost of inventories sold	25,355	41,079
Depreciation of property, plant and equipment	789	2,006

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

9. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Name of directors	Year ended 31 December 2015			Total RMB'000
	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	
<i>Executive directors</i>				
Wang Cong	–	120	8	128
Wang Feng	–	60	8	68
Yang Xiaohuai	–	60	8	68
Tian Lingling	–	60	8	68
	–	300	32	332
<i>Independent non-executive directors</i>				
Li Gangjian	50	–	–	50
Zhao Boxiang	50	–	–	50
Zhao Xiaoning	50	–	–	50
	150	–	–	150
Total directors' emoluments for 2015	150	300	32	482
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 2015	–	180	18	198
Total	150	480	50	680

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

9. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

Name of directors	Year ended 31 December 2014			Total RMB'000
	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	
<i>Executive directors</i>				
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
<i>Non-executive directors</i>				
Gao Peng (Note b)	33	–	–	33
Wong Hong Kit (Note c)	40	–	–	40
Simon Luk (Note d)	40	–	–	40
	113	340	40	493
<i>Independent non-executive directors</i>				
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

Note:

- Ms. Zhou Jin resigned as the executive director on 12 August 2014.
- Mr. Gao Peng resigned as non-executive director on 12 August 2014.
- Mr. Wong Hong Kit resigned as non-executive director on 12 August 2014.
- Mr. Simon Luk resigned as non-executive director on 12 August 2014.
- Mr. Chen Tao resigned as independent non-executive director on 12 August 2014.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

	2015 RMB'000	2014 RMB'000
Current tax:		
PRC corporate income tax provision for the year	1,200	1,559

- (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.

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

	2015 RMB'000	2014 RMB'000
Profit before taxation	5,507	6,275
Tax at the statutory tax rates	827	942
Income not subject to tax	(10)	(3)
Expenses not deductible for tax	383	620
Income tax expense for the year	1,200	1,559

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

12. DIVIDENDS

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

13. EARNING PER SHARE

The calculation of the basic earning per share is based on the profit for the year of approximately RMB4,307,000 (2014: approximately RMB4,716,000) and the weighted average number of 921,468,493 (2014: 910,000,000) shares in issue during the year.

Diluted earning per share is equal to basic earning 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	Total RMB'000
At cost:					
At 1 January 2014,					
31 December 2014,					
1 January 2015					
and 31 December 2015	19,364	3,883	30,053	1,945	55,245
Accumulated depreciation and impairment:					
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 and at 1 January 2015	7,204	3,883	29,102	1,760	41,949
Charge for the year	603	–	186	–	789
At 31 December 2015	7,807	3,883	29,288	1,760	42,738
Net carrying value:					
At 31 December 2015	11,557	–	765	185	12,507
At 31 December 2014	12,160	–	951	185	13,296

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 RMB'000	2014 RMB'000
Unlisted equity security, at cost	14,260	–

The unlisted equity investment with a carrying amount of RMB14,260,000 are measured at cost less impairment losses. The directors of the Company are of the opinion that the fair value cannot be measured reliably because the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The Company does not intend to dispose in the near future.

16. LAND LEASE PREMIUM

	2015 RMB'000	2014 RMB'000
At cost:		
Carrying value at 1 January	7,038	7,248
Amortisation	(210)	(210)
Carrying value at 31 December	6,828	7,038
Non-current portion	(6,618)	(6,828)
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 (2014: 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.

17. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	509	880
Finished goods	219	201
	728	1,081

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

18. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2015 RMB'000	2014 RMB'000
Trade receivables (note (b))	31,586	26,741
Other receivables	203	299
	31,789	27,040
Loans and receivables	19,832	11,733
Prepayments and deposits	51,621	38,773

- 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:

	2015 RMB'000	2014 RMB'000
0 – 90 days	10,633	6,346
91 – 180 days	14,117	7,269
181 – 365 days	11,761	8,910
Over 365 days	23,105	31,525
	59,616	54,050
Less: Accumulated impairment loss on trade receivables	(28,030)	(27,309)
	31,586	26,741

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

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

	2015 RMB'000	2014 RMB'000
At 1 January	27,309	23,636
Impairment losses on trade receivables	4,332	5,863
Reversal of impairment losses on trade receivables	(3,611)	(2,190)
At 31 December	28,030	27,309

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 2015, trade receivables of the Company amounting to approximately RMB28,030,000 (2014: RMB27,309,000) 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 RMB4,332,000 (2014: RMB5,863,000) 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
- 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

- 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:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	10,633	6,346
Less than 6 months past due	14,117	7,269
More than 6 months but less than 1 year past due	6,836	13,126
Total trade receivables, net	31,586	26,741

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.

19. TRADE PAYABLES

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

	2015 RMB'000	2014 RMB'000
0 day to 90 days	18	—
91 days to 180 days	—	—
181 days to 365 days	—	—
Over 365 days	392	461
	410	461

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 '000	Amount RMB'000
Registered, issued and fully paid:		
Domestic shares		
At 1 January 2014, 31 December 2014, 1 January 2015, and 31 December 2015	680,000	68,000
H shares		
At 1 January 2014, 31 December 2014 and 1 January 2015	230,000	23,000
Issue of consideration shares (Note 1)	46,000	4,600
At 31 December 2015	276,000	27,600
	956,000	95,600

Note:

- 1) On 2 October 2015, the Company issued 46,000,000 H Shares as consideration for the acquisition of 10% equity shares of Best Rick (H.K.) Investment Limited.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

22. RESERVES

Details of movement in the Company's reserves have been set out in the statement of changes in equity on page 26.

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.

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. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2015, the Company acquired 10% equity interests of Best Rich (H.K.) Investment Limited by the issuance of the Company's 46,000,000 H Shares.

24. SHARE OPTION SCHEME

As at 31 December 2015 and 2014, the Company did not have any share option scheme. The Company's previous share option scheme was approved by a resolution of the Shareholders of the Company dated 6 June 2003 and had been expired on 6 June 2013.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

25. 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:

	2015 RMB'000	2014 RMB'000
Amount due to the ultimate holding company	3,339	3,081

- (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

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 profit after tax and accumulated loss. 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

26. RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

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. Therefore, the Company does not exposed to foreign currency risk. 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.

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 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 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 6.6% and 49% (2014: 7% and 45%) 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 18 to the financial statements.

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

26. RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

Liquidity risk (Continued)

At 31 December 2015 and 2014, 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 2015			
Trade payables	410	410	410
Other payables and accruals	9,235	9,235	9,235
Amount due to the ultimate holding company	3,339	3,339	3,339
	12,984	12,984	12,984
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

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

26. RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

Financial assets

	2015 RMB'000	2014 RMB'000
Available-for-sale financial assets	14,260	–
Trade receivables	31,586	26,741
Other receivables	203	299
Cash and cash equivalents	41,883	48,755
	87,932	75,795

Financial liabilities

	2015 RMB'000	2014 RMB'000
Trade payables	410	461
Other payables and accruals	9,235	9,224
Amount due to the ultimate holding company	3,339	3,081
	12,984	12,766

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 group into Levels 1 to 3 in accordance with disclosure requirement under HKFRS 7 for both years.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 2015 and 2014.

The financial leverage of the Company as at 31 December 2015, as compared to 31 December 2014 has been disclosed in the management discussion and analysis.

28. EVENTS AFTER THE REPORTING PERIOD

On 22 December 2015, the Company entered into an acquisition agreement, pursuant to which the Company has conditionally agreed to purchase and a vendor has conditionally agreed to sell the Sale Shares at a consideration of HK\$18,720,000. Details of the major transaction are set out in the Company's announcements dated 23 December 2015.

On 27 January 2016, the Company had terminated the acquisition. The Company did not have any commitments to the agreement.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2016.

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Revenue	40,861	58,675	57,186	53,908	46,106
Profit before taxation	5,507	6,275	(54,565)	11,647	10,444
Taxation	(1,200)	(1,559)	(1,800)	(1,339)	(440)
Net profit for the year	4,307	4,716	(56,365)	10,308	10,004

ASSETS AND LIABILITIES

	At 31 December				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Total assets	127,827	108,943	102,503	160,724	149,885
Total liabilities	(18,021)	(17,704)	(15,980)	(17,836)	(17,305)
Total equity	109,806	91,239	86,523	142,888	132,580