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
2016

* For identification purposes only

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

CONTENT

CORPORATE INFORMATION

DIRECTORS OF THE COMPANY

Executive Directors

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

Non-executive Director

Mr. Wang Zhe

Independent non-executive Directors

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

SUPERVISORS

Mr. Zeng Yinglin
Ms. Xing Manli

INDEPENDENT SUPERVISOR

Mr. Zhang Xiaoping

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 2016.

OPERATING PERFORMANCE

For the year ended 31 December 2016, the Company recorded a revenue of approximately RMB31,972,000, representing a decrease of 22% from the previous year and an after-tax profit of RMB1,664,000. The Board does not recommend paying any dividend for the year ended 31 December 2016.

BUSINESS STRATEGY

In 2016, 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' overall net profit margin was maintained at a strong level.

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 2017

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Company's revenue was approximately RMB31,972,000 for the financial year ended 31 December 2016, representing a decrease of approximately 22% over the previous year.

The Company's gross profit was approximately RMB9,527,000 for the financial year ended 31 December 2016, compared to approximately RMB15,506,000 last year. The gross profit margin of 2016 was approximately 30% (2015: 37.95%).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2016, the equity attributable to owners of the Company was approximately RMB123,277,000 (2015: approximately RMB109,806,000); cash and bank balance were approximately RMB43,858,000 (2015: approximately RMB41,883,000); and current assets amounted to approximately RMB97,468,000 (2015: approximately RMB94,442,000). Current liabilities amounted to approximately RMB18,294,000 (2015: approximately RMB18,021,000). The Company's liquidity ratio, defined as total current assets over total current liabilities, changed from 5.24 as at 31 December 2015 to 5.33 as at 31 December 2016.

SIGNIFICANT INVESTMENT HELD AND MATERIAL ACQUISITION

As at 31 December 2016, the Company placed 55 million H shares on 30 November 2016 under a general mandate granted at the annual general meeting of the Company to Mr. Wang Zhen as the consideration for the acquisition of 30% equity interest in Northwest Securities Investment Management Company Limited held by him. For details, please refer to the relevant announcement of the Company published on the website of the Stock Exchange.

PLEDGE OF ASSETS

As at 31 December 2016, the Company had no pledge of assets.

GEARING RATIO

Gearing ratio, defined as total borrowings over net assets was 0% (same period of 2015: 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 2016:

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 RMB31,972,000 for the year, representing an decrease of approximately 22% 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.

EMPLOYEES INFORMATION AND REMUNERATION POLICY

For the year ended 31 December 2016, staff remuneration of the Company amounted to approximately RMB2,251,000 (2015: RMB2,442,000). The Company employed a total of 77 staff (2015: 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 59, 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 57, 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 56, 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.

Mr. Feng Tuo (馮拓), aged 35, graduated from Xi'an Jiaotong University in 2013 with a master's degree in business administration. He is currently vice president of Shenzhen Northwest Global Fund Management Co., Ltd. (深圳西北環球基金管理有限公司). He has obtained the securities investment fund qualification in the PRC and has over 10 years of experience in investment, corporate management and technical industries. He worked at Shanghai Rongling Industrial Co., Ltd. (上海榮靈實業有限公司) as manager of business department from November 2004 to October 2007, mainly responsible for market development, at China Railway Express Co., Ltd. Xi'an Branch (中鐵快運股份有限公司西安分公司) as manager of business department from October 2007 to December 2008, responsible for day-to-day operation of business department, and at Xi'an Qujiang International Conference & Exhibition (Group) Co., Ltd. (西安曲江國際會展(集團)有限公司) as strategy and information director of investment management department from December 2008 to March 2010, responsible for development and amendment of development strategies of the group, feasibility assessment of investment projects and corporate management of its subsidiaries and members. He acted as investment promotion director of the Third Investment Promotion Bureau of Xi'an Qujiang New District Management Committee (西安曲江新區管委會招商三局) from March 2010 to December 2012, mainly responsible for promotion of investments in cultural enterprises and investment management in the district. He served as deputy managing director of Shaanxi West Venture Capital Co., Ltd. (陝西大西部創業投資有限公司) from December 2012 to October 2015, mainly responsible for the operation and management of private equity fund projects. He has been a member of senior management of Shenzhen Northwest Global Fund Management Co., Ltd. since October 2015.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Non-executive Director

Mr. Wang Zhe (王哲), aged 35, graduated from Xi'an University of Finance and Economics in July 2003 with a bachelor's degree in law. He has obtained the securities investment fund qualification in the PRC. He has many years of experience in legal affairs and financial risk of companies in the PRC. He worked at Xi'an Ziwei Shopping Mall Development Co., Ltd. (西安紫薇大賣場發展有限公司) as manager of legal department from August 2003 to September 2007, mainly responsible for daily litigations and non-litigation affairs. He worked at Xi'an Runji Investment Holdings Co., Ltd. (西安潤基投資控股有限公司) as director of legal affair department from September 2007 to May 2012, mainly responsible for management of external lawyer team, dealing with daily legal disputes and prevention of legal risks and principally involved in real estate development, energy and mining and backdoor listing on the stock exchanges in the PRC. He served as chief executive officer of Shaanxi Mingyan Culture Industry Management and Development Co., Ltd. (陝西明衍文化產業管理發展有限責任公司) from May 2012 to May 2014, mainly responsible for its daily administrative and legal affairs management, and as vice president of Shaanxi West Venture Capital Co., Ltd. (陝西大西部創業投資有限公司) from May 2014 to October 2015, mainly responsible for the operation and management of private equity fund projects. He has been a member of senior management of Shenzhen Northwest Global Fund Management Co., Ltd. since October 2015.

Independent non-executive Directors

Li Gangjian (李剛劍), aged 53, 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 72, 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 62, 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. Between 1981 and 1985, she studied and graduated from 中央廣播電視大學 (The Open University of China) with a bachelor degree in mechanical studies. Since August 1985, Prof. Zhao has worked in 陝西廣播電視大學 (Shaanxi Radio & TV University) as the deputy officer, officer, deputy director and director and has became a professor at Shaanxi Radio & TV University and has been responsible for the education administration management, the corporate culture development and the corporate strategic development studies. Prof. Zhao has in-depth knowledge in personnel management, corporate strategic development studies and corporate culture development.

SUPERVISORS

Zeng Yinglin (曾應林), aged 64, 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 43, 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)

INDEPENDENT SUPERVISOR

Zhang Xiaoping (張小平), aged 44, worked at the office of president of the Company from May 2004 to December 2012. From March 1990 to November 1996, Mr. Zhang has served at the Fire Prevention Detachment, Armed Police of Haixizhou, Qinghai Province (青海省海西洲武警消防支隊). From January 1997 to June 1997, he worked at Jinhua Mountain Mine of Tongchuan Minerals Bureau (銅川礦物局金華山礦). From September 1997 to August 2003, he worked at Xi'an High and New Xinda Commercial Products Company Limited (西安市高新新建商品有限公司).

COMPANY SECRETARY

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Bi Hongxia (畢紅霞), aged 40, 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 49, is a chief engineer of the Company. He graduated from the Shanghai Fudan University with a bachelor's degree in applied chemistry. He worked for the Technology Department of Xian Paints Factory Sifen Factory (西安油漆總廠四分廠) from July 1990 to 1992. He served as an manager of Shenzhen Xiandaoxi Material Ltd Co., (深圳市先導新材料有限公司) from 1992 to 1997 and was responsible for the development of electronic consumables materials and nanometer materials. He invented a super small BaTi03 soft materials successfully and the product was utilized by Fuji (富士公司) and TDK of Japan. From 1997 to 2000, he worked at Shenzhen Zhongzhen Industry Limited (深圳中圳實業有限公司) as a chief engineer responsible for the development and the management of production technology of rare- earth electromagnetic materials. From 2000 to June 2002, he worked at the Nantonghongding International Chemistry Company (南通虹鼎國際化工公司) as a chief engineer.

Xu Yan (徐艷), aged 41, 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 53, 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 49, 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 44, 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 2016.

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 2016 are set out on page 33 of the annual report. The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2016.

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 2016 amounted to approximately RMB36.59 million (2015: approximately RMB31.59 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. Feng Tuo (appointed on 30 December 2016)
Ms. Tian Lingling

Non-executive Director

Mr. Wang Zhe (appointed on 30 December 2016)

Independent non-executive Directors:

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

Supervisors:

Mr. Zeng Yinglin
Ms. Xing Manli

Independent Supervisor:

Mr. Zhang Xiaoping

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 2016, 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%	60.29%
Zheng Rongfang	Beneficial owner	2,000,000	0.29%	0.20%
Wang Feng	Beneficial owner	2,000,000	0.29%	0.20%
Zeng Yinglin	Beneficial owner	2,000,000	0.29%	0.20%
Yan Buqiang	Beneficial owner	2,000,000	0.29%	0.20%
Wang Zheng	Beneficial owner	2,000,000	0.29%	0.20%
Guo Qiubao	Beneficial owner	2,000,000	0.29%	0.20%

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 2016, 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%	60.29%
Shaanxi Jing Dian Investment Company Limited (陝西精典投資有限公司)	Beneficial owner	58,500,000	8.60%	5.77%
Ding Xianguang (Note 2)	Interest of controlled corporation	58,500,000	8.60%	5.77%
Zhang Jianming (Note 2)	Interest of controlled corporation	58,500,000	8.60%	5.77%

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
Wang Zhen	Beneficial owner	55,000,000	16.61%	5.44%

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 2016, 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 2016, 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 68% and 15% of the Company's purchases, respectively.

Aggregate sales attributable to the Company's five largest customers accounted for approximately 72% of the total revenue. The largest customer accounted for approximately 20% of the total revenue of the Company.

None of the Directors, the Supervisors, their associates or any shareholders which, to the knowledge of the Directors, own more than 5% of the Company' issued share capital had any interest in the five largest suppliers or customers during the year ended 31 December 2016.

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 2016

	Thiol products	FA-90
	RMB'000	RMB'000
Revenue	11,955	20,017
Cost of sales	(7,424)	(15,021)
Gross profit	4,531	4,996

For the year ended 31 December 2015

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

LITIGATION

As of 31 December 2016, 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 2016.

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 2016 and as at the date of this annual report, at least 32.74% of the Company's issued share capital was held by the public.

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 2016, 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

The Company's Board of Directors comprised eight directors, including Mr. Wang Cong (Chairman), Mr. Wang Feng, Mr. Feng Tuo and Ms. Tian Lingling as executive directors, Mr. Wang Zhe as non-executive director, 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 2016, the Board has performed the corporate governance duties set out in the Code.

Delegation by the Board

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

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

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

The Separate Roles of Chairman and Chief Executive Officer

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

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

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

Board meetings and attendance

The Board meets at least quarterly and additional Board meetings are held as and when required. Between scheduled meetings, the Directors are provided with information on the activities and development in the businesses of the Company in a timely manner to keep them abreast of the Company's latest developments. During the financial year ended 31 December 2016, the Board held seven meetings.

Details of Directors' attendance records in 2016 are as follows:

	Number of board meeting attended/Total	Number of general meeting attended/Total
Executive Directors		
Mr. Wang Cong	7/7	1/1
Mr. Wang Feng	7/7	1/1
Mr. Yang Xiaohuai (resigned on 30 December 2016)	6/7	1/1
Ms. Tian Lingling	7/7	1/1
Mr. Feng Tuo (appointed on 30 December 2016)	1/7	0/1
Non-executive Director		
Mr. Wang Zhe (appointed on 30 December 2016)	1/7	0/1
Independent Non-Executive Directors		
Mr. Li Gangjian	7/7	0/1
Mr. Zhao Boxiang	7/7	0/1
Prof. Zhao Xiaoning	7/7	0/1

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

DIRECTORS' SECURITIES TRANSACTIONS

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

INDEPENDENCE

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

REMUNERATION COMMITTEE

The Remuneration Committee 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. Wang Zhe.

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 2016. The individual attendance record of each member is as follows:

	Number of meetings attended/Total
Executive Director	
Mr. Yang Xiaohuai (resigned on 30 December 2016)	2/2
Non-executive Director	
Mr. Wang Zhe (appointed on 30 December 2016)	0/2
Independent Non-executive Directors	
Mr. Zhao Boxiang	2/2
Ms. Zhao Xiaoning (chairlady)	2/2

During the financial year ended 2016, 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 consists of three members. Mr. Zhao Boxiang, Mr. Wang Feng and Mr. Feng Tuo 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 2016 and all members attended the meeting. The individual attendance record of each member is as follows:

	Number of meetings attended/Total
Executive Directors	
Mr. Wang Feng	1/1
Mr. Feng Tuo (appointed on 30 December 2016)	0/1
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 consist of three members, all of which are independent non-executive directors. Mr. Li Gangjian is the chairman of the committee and Mr. Zhao Boxiang and Ms. Zhao Xiaoning are its members.

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 2016.

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

The Audit Committee held five meetings in 2016 discussing the Group's annual results for 2015, quarterly results for 2016, the sale and purchase agreement in relation to the acquisition of 30% equity interest in Northwest Securities Investment Management Company Limited, 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 (chairman)	5/5
Mr. Zhao Boxiang	5/5
Ms. Zhao Xiaoning	5/5

During the financial year ended 2016, 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 2016.

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 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 on 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 2016, 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 2016. 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.

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

1. The 19th meeting of the third Supervisory Committee was held on 31 March 2016, which considered and approved the audited annual results report of the Company for the year ended 31 December 2015 and reviewed 2015 annual report.

2. The 20th meeting of the third Supervisory Committee was held on 13 May 2016, which considered and approved the unaudited first quarterly results report of the Company for the three months ended 31 March 2016.

3. The 21st meeting of the third Supervisory Committee was held on 14 August 2016, which considered and approved the unaudited interim results report of the Company for the six months ended 30 June 2016.

4. The 22nd meeting of the third Supervisory Committee was held on 14 November 2016, which considered and approved the unaudited third quarterly results report of the Company for the nine months ended 30 September 2016.

5. the 23th meeting of the third Supervisory Committee was held on 30 November 2016, which considered and approved the sale and purchase agreement in relation to the acquisition by the Company of 30% equity interest in Northwest Securities Investment Management Company Limited.

6. the 1st meeting of the fourth Supervisory Committee was held on 30 December 2016, which made arrangement for the division of work among newly elected Supervisors and discussed about and made the working plan of the Supervisory Committee for 2017.

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

In 2016, the Supervisory Committee devoted more efforts to supervise the management. The Supervisory Committee considered:

1. In 2016, 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 2016 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 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This report is the first environmental, social and governance report issued by the Group and serves to disclose the Group's actions and performance on sustainable development issues in a transparent and open manner and improve the investors' confidence in and understanding of the Group.

REPORTING YEAR

All information in this report reflects the Group's performance in respect of environment management and social responsibility for the period from 1 January 2016 to 31 December 2016. In the future, the Group will issue an environmental, social and governance report each year for inspection by the public and further enhance the transparency of information disclosure.

SCOPE OF THE REPORT

The report focuses on the Group's production and operation activities relating to its two major products, namely FA-90 unleaded gasoline additive and thiol products, at its principal place of business, being branches of the Group located at Weinan Economic Development Zone, Shaanxi Province, the PRC with a site area of approximately 42,667 sq.m.. As this is the first report of the Group on this subject, it is still studying and understanding the disclosure standards and the relevant requirements. Certain areas, such as the administrative management at the head office of the Company that have minimal environmental impacts, are not covered in this report. After the Group has collected more information and refined its environmental, social and governance work, the Group will expand the scope of disclosure to all operations of the Group. This report does not include the disclosure of key environmental performance indicators. When the time is ripe, the Group will make assessment and further refine and standardize the report in the future.

REPORTING STANDARDS

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") issued by the Stock Exchange. The report provides a concise overview of the Group's environmental, social and governance performance. Information in the report is derived from official documents and records of the Group, as well as the information on monitoring, management and operation collected in accordance with the relevant rules of the Group.

During the Reporting Period, the Company has complied with the "comply or explain" provision set out in the Environmental, Social and Governance Reporting Guide.

For details of the financial performance and corporate governance matters of the Group, please refer to other sections of the annual report of the Company, of which this environmental, social and governance report forms a part.

KEY MEASURES AND POLICIES OF THE GROUP

The Group is principally engaged in the research and development, production and sale of environmentally-friendly products. Our products are used by customers to produce environmentally-friendly plastic additives and heat stabilizers, which are used to improve vehicle combustion efficiency, reduce harmful gas emissions, substitute or reduce the use of lead-containing additives, so as to achieve the final purpose of improving environment and reducing waste emissions, and fall under environmentally-friendly products. As such, the Group directly contributes to environment improvement by providing products and services.

The Group is committed to creating positive value for shareholders and customers. We work with employees, customers and major partners to undertake corporate social responsibility. The Group believes that in order to establish better relationship with the community, employees, customers and other partners, we must understand their interests and concerns.

Based on the analysis of operating activities of the Group and in view of the characteristics of links in its business, we have adopted the following measures which have large impacts on environmental protection and are described in details in this report:

1. Procurement of raw materials

The supply department of the Company is required to ensure that the following criteria are met in procuring raw materials:

1) The production environment of material suppliers shall meet environment standards. Currently over 95% raw materials of the Company are supplied by enterprises which have met environment standards.

2) The packaging of raw materials shall be in recyclable or reusable forms to the extent possible. In particular, 50% packaging is in reusable form, and 37% packaging is in recyclable form. The Group will further strive to make the packaging materials in reusable and recyclable forms account for over 80% of total packaging materials.

2. Production process

The plants are required to meet the following requirements:

1) The production process is reviewed to ensure that no harmful substances are generated in the whole process;

2 All equipment and process pipelines are regularly maintained to avoid the run, flow, drip and leakage;

3) In response to the requirements of local government, coal-fired boilers at the plants are abandoned, and the heat supply from heating pipes constructed by local government are adopted to meet production needs. As a result, the Company has adjusted its production process and upgraded its equipment and pipelines accordingly;

4) Solid waste produced in the process of production undergoes centralized harmless treatment and is delivered on a regular basis to the collection station designated by government. Approximately 800 kilograms of such waste is generated each year.

5) Regular circuit maintenance is conducted to reduce line loss and reduce power consumption.

6) A reasonable plan for material storage and transportation at the plant area is prepared to reduce the duplication of routes as much as possible and shorten the distance to reduce traffic volume at the plant area;

7) Open space at the plant area is made green with plants to reduce bare ground.

3. Continued improvement in production process

The additives required for the production process are upgraded to reduce consumption, especially to reduce the waste generated in the process. As tested, upon the adoption of new process, the volume of waste generated decreased by approximately 23%.

4. Product sales process

All packaging is in reusable forms, and technical support are provided to customers to encourage them to use large packaging (such as transportation in tanker trucks and receipt by customers with storage tanks). Currently the products with large packaging or reusable packaging account for over 80% of total products. These measures have helped reduce the usage and consumption of packaging materials and contributed to environment improvement.

5. Material transportation and fuel consumption

The major raw materials procured by the Company and the products sold by it are transported by third-party vehicles. The Company does not have its own transportation vehicles, which has lowered transportation cost, fuel consumption and the impacts on environment.

6. Water resource consumption

As the water involved in the cooling link in the production process can be reused in the same production process, the Company's production process does not involve a lot of water. Save as aforesaid, all water resources are used by employees at the staff quarter and head office of the Group for daily office and domestic use.

Currently the water supply is from the water supplied by the government, and the Group had not experienced no difficulty in obtaining water supply during the period. Compared to the domestic water consumed at the staff quarter, the water consumption at the head office of the Group is insignificant. The Group has adopted internal guidelines to educate employees in saving water, and conducts regular inspection and maintenance of water supply facilities to reduce waste of water. In order to further ensure quality water is provided to employees, the Group has adopted clear guidelines for the cleaning and filtration of water supply and storage facilities.

7. Power consumption

The Group's power consumption is mainly in the production process. Plant, office and domestic power consumption are all supplied by municipal power supply system. In their daily production and operation, branches of the Group pay attention to the daily maintenance of electricity supply system and various electrical facilities in order to minimize the idle and ineffective operation of facilities and equipment, reduce reactive loss at each link, and maintain power consumption at a reasonable level.

As for office and domestic power consumption, we advocate saving power within the Company. For example, lights shall not be turned on as far as possible; work overtime shall be reduced; idle power consumption of various office equipment shall be reduced; lights at public places shall be turned off when there are no persons there. We aim to enable all staff to develop a good habit of saving electricity.

POLICIES OF THE GROUP ON CORPORATE SOCIAL RESPONSIBILITY PRACTICES

The Group believes that its employees are essential to its success and are committed to ensuring the health, safety, and overall well-being of employees at work. In addition, the Group offers a variety of career-related lectures, seminars and training courses for the sustainable development of employees. The Group has also adopted certain social responsibility practices to support the community and maintain its business reputation.

EMPLOYMENT AND LABOUR PRACTICES

Health and safety

The Group is committed to providing a safe working environment for its employees. The following sets out certain practices adopted by the Group in accordance with the laws and regulations applicable to workplace safety with the aim of reducing the incidence of workplace accidents:

- medical examinations are provided to employees in due course before the commencement of employment;
- production process continues to be streamlined and the use of known toxic substances in the production process of the Group is reduced/avoided to the extent possible;
- professional institutions are appointed to check the firefighting equipment at the plants, staff quarter and head office of the Group on a regular basis;
- personal protective equipment and other safety equipment are provided in the workplace;
- guidance and technical training are provided to employees who may be exposed to potentially toxic substances;
- smoking is prohibited in the workplace, plants and staff quarter;
- safety training is provided to employees, and emergency drills for fire or other disasters are conducted from time to time;
- water filtration facilities are cleaned on a regular basis; garbage is cleaned up every day;

During the period, the Group has no work injury record at the plant and offices.

Career training and development

As employees are essential to the business development of the Group, in addition to the aforesaid safety related training, the Group also provides regular internal and external training courses to its employees to improve their work quality and personal development. These training covers the following topics:

Product knowledge upgrade — training courses are provided on a regular basis to enable employees to become familiar with the products of the Group
Latest market information — employees are informed of the technical development and market conditions of the petrochemical industry
General training — training in the general rules of the Group and specific rules of various departments
Management system training
Occupational safety and health training
Management and communication skills training

During the period, the Group has provided no less than 200 hours of career training per capita on the aforesaid topics to its employees.

The Group has also introduced a mentorship system. Experienced employees guide new employees and provide them with on-the-job training and guides to enable their smooth integration into the operation process of the Group.

EMPLOYMENT AND LABOUR STANDARDS

The Company is committed to becoming a responsible employer, and the Group is committed to adopting good employment practices in the workplace and respect ethics and human rights.

The Group recruits employees in the open market. Its employment policy is based on personal expertise, the relevance of the work requirements and fairness. The Group prohibits discrimination against potential candidates in the recruitment process for reason of race, colour, religion, gender and gender identity/sexual orientation, age, marriage and parental status and/or pregnancy or physical condition.

RECRUITMENT PROCESS PRACTICES

The Group has not employed any person under 18 years of age. During the recruitment process, applicants are required to submit proof of identity to ensure compliance by the Group with the above policy. During the period, all employees of the Group were 18 years of age or older.

REMUNERATION AND PROMOTION PRACTICES

The Group offers competitive salaries to attract talents. The remuneration of employees is determined with reference to various factors, such as educational background, experience, job responsibilities, professional skills, technical competence and salary levels for similar jobs in the industry. During the period, the Group adopted an open communication policy and conducted annual review of the performance of employees with them, in which each employee had the equal opportunity to be promoted. Employees of the Group have clear career paths and have the opportunities to seek further responsibilities and promotion.

WORKING HOURS AND GENERAL WELFARE PRACTICES

The rest time of employees of the Group is fully protected, and employees are entitled to paid holidays in accordance with the law or the provisions of their respective employment contracts. The Group has in place a computerized attendance system to continuously monitor the working hours of employees. The Group is committed to ensuring that there is no forced labour in the business operation of the Group. The Group has also adopted a non-violence policy on sexual harassment in the workplace to protect its employees from sexual harassment.

In addition, the Group makes mandatory social insurance contributions (including pension, medical care, retirement, injury and unemployment insurance) for its employees in accordance with the relevant laws and regulations in the PRC.

To enhance the overall morale of employees, the Group also holds corporate events such as New Year's party, birthday party, spring tour and holiday travel so that employees can gather in their spare time to strengthen cohesion and team cooperation.

The Group believes that, to the best of the Directors' knowledge and belief, during the period the Group had in general complied with the provisions of the Labour Law in relation to working hours, overtime, holidays, minimum wages and compensation and dismissal. In addition, it has not received any complaint or notice from any government authority in respect of the violation of these employee practices.

ANTI-CORRUPTION PRACTICES

Integrity is one of the core values of the Group relating to business operation, and the Group believes an effective anti-corruption mechanism is essential for the sustainable and organic development of the Group. The Group has adopted clear employee guidelines, which strictly prohibit employees from bribery, extortion, fraud, money laundering and other illegal acts, such as gambling, providing loans to or borrowing loans from persons with business relationships with the Group, misappropriation of assets of the Group, improper charitable donation or sponsorship, illegal business invitation or preferential treatments, providing or accepting "rebates" or inappropriate gifts, entertainment or other improper benefits. Its employees are also required to declare their interests in any business partner, supplier or consultant of the Group which may constitute conflict of interests with the Group. The relevant guidelines have been clearly set out in the staff handbook.

Employees are also required to strictly comply with applicable laws in relation to the aforesaid activities (including the staff handbook). The standard employee contract of the Group also contains a provision that non-compliance with law constitutes a reason to terminate employment. The Group also expects its suppliers and business partners to comply with local anti-corruption laws.

During the period, the Group has not received any complaint or notice from any government authority in respect of non-compliance by the Group or any of its employee with the aforesaid anti-corruption laws.

COMMUNITY INVOLVEMENT

The Group believes that community support is critical to the success of the Group. The Group organizes and encourages employees to participate in volunteer activities to help the disadvantaged groups within the community. Party branch at the Company organized party members and youth applying for admission to the party to attend the activities held by the Party Committee of the High-tech Development Zone, and the labour union organized staff to participate in various professional competitions and sports and recreational activities in the development zone, which not only enriched the spare life of employees but also strengthened the connection between the Company and the community in which it is located and contributed to community work.

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)

OPINION

We have audited the financial statements of Shaanxi Northwest New Technology Industry Company Limited ("the Company") set out on pages 33 to 69, which comprise the statement of financial position as at 31 December 2016, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with the ethical requirements that are relevant to our audit of the financial statements in jurisdiction, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of trade receivables
- Impairment assessment of available for sale financial assets

Key Audit Matter	How the matter was addressed in our audit
Impairment assessment of available for sale financial assets ("AFS") Refer to note 15 to the financial statements	
As at 31 December 2016, the Company had an available for sale investment (the "AFS Investment") of approximately RMB 14,260,000 relating to an investment in 10% of equity shares of a private company that had been measured at cost less impairment at each reporting date, as set out in note 15 to the financial statements. We had identified the impairment of AFS Investment as a key audit matter because the estimates of the recoverable amount of the AFS Investment are complex, subjective and highly judgmental, in particular, assumptions and judgements made by management in arriving at the cash flow forecasts of the AFS Investment.	The unlisted investments are measured at cost less impairment. We also discussed with and challenged the management as to the appropriateness of the value-in-use, using our knowledge of the investments and following the guideline of HKAS 39 We tested the techniques that the management used to value these unlisted investments and reassessed the net assets value of these unlisted investments as follow: – We discussed with and challenged the management how they estimate the value of the AFS Investment. We also discussed with the management its understanding about the future prospects and business models of the investee. – We assessed the management's estimate with reference to the latest net asset value of investee. – We obtained the latest supplementary agreement of the AFS Investment and its investment target company, and verified the investment plan status is still going on progress.

Key Audit Matter	How the matter was addressed in our audit
Impairment assessment of trade receivables Refer to note 18 to the financial statements	
As at 31 December 2016, the Company had trade receivables of approximately RMB 36,592,000, as set out in note 18 to the financial statements. An impairment of approximately RMB 2.8 million was recognised during the year ended 31 December 2016 on the trade receivables that had been outstanding for a certain period of time, We identified the impairment assessment of trade receivables as a key audit matter because significant management judgment was required to estimate the amount of impairment and the amounts involved were significant.	Our major audit procedures in relation to the impairment assessment of the trade receivables included the following: – We discussed with management of the Company the impairment policy, basis and assumptions used in estimation of the recoverable amount of trade receivables. – We obtained from management the aging analysis and tested the aging analysis to the source documents on a sample basis. – We examined the recoverability of large individual aged receivable balances, understanding the rationale for management's impairment decisions by reference to payment patterns during the year as well as other information available.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

– Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Man Chung Siman with practising certificate number P03122.

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 31 March 2017
10/F., 8 Observatory Road,
Tsimshatsui, Hong Kong

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	6	**31,972**	40,861
Cost of sales		**(22,445)**	(25,355)
Gross profit		**9,527**	15,506
Other revenue and other gains and losses, net	7	**(902)**	(658)
Distribution and selling expenses		**(3,044)**	(3,239)
Administrative expenses		**(3,166)**	(6,102)
Profit before taxation	8	**2,415**	5,507
Income tax expense	11	**(751)**	(1,200)
Profit for the year		**1,664**	4,307
Other comprehensive income		**–**	–
Total comprehensive income for the year		**1,664**	4,307
Earnings per share			
– Basic and diluted	13	**RMB0.002**	RMB0.005

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	14	**11,628**	12,507
Available-for-sale financial assets	15	**14,260**	14,260
Land lease premium	16	**6,408**	6,618
		32,296	33,385
Current assets			
Land lease premium	16	**210**	210
Inventories	17	**1,119**	728
Trade receivables	18	**36,592**	31,586
Prepayments, deposits and other receivables	18	**15,689**	20,035
Cash and cash equivalents		**43,858**	41,883
		97,468	94,442
Current liabilities			
Trade payables	19	**410**	410
Other payables and accruals		**9,445**	9,235
Amount due to the ultimate holding company	20	**3,447**	3,339
Tax liabilities		**4,992**	5,037
		18,294	18,021
Net current assets		**79,174**	76,421
Net assets		**111,470**	109,806
Capital and reserves			
Share capital	21	**101,100**	95,600
Reserves	22	**10,370**	14,206
Total equity		**111,470**	109,806

The financial statements on pages 33 to 67 were approved and authorised for issue by the Board of Directors on 31 March 2017 and signed on its behalf by:

Wang Cong
Director

Li Gangjian
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Statutory surplus reserve RMB'000	Statutory welfare fund RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2015	91,000	25,880	–	13,251	5,493	(44,385)	91,239
Profit 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 and 1 January 2016	95,600	35,540	–	13,682	5,493	(40,509)	109,806
Profit and total comprehensive income for the year	–	–	–	–	–	1,664	1,664
Issue of consideration shares	5,500	8,179	(13,679)	–	–	–	–
Transfers	–	–	–	166	–	(166)	–
At 31 December 2016	101,100	43,719	(13,679)	13,848	5,493	(39,011)	111,470

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Operating activities		
Profit before taxation	**2,415**	5,507
Adjustments for:		
Reversal of impairment loss on trade receivables	**(1,551)**	(3,611)
Impairment loss on trade and other receivables, prepayments and deposits	**2,788**	4,332
Reversal of impairment on inventories	**(280)**	–
Amortisation of land lease premium	**210**	210
Depreciation of property, plant and equipment	**879**	789
Interest income	**(55)**	(63)
Operating profit before working capital changes	**4,406**	7,164
(Increase)/Decrease in inventories	**(111)**	353
Increase in trade receivables	**(6,243)**	(5,566)
Decrease /(Increase) in other receivables, prepayments and deposits	**4,346**	(8,003)
Decrease in trade payables	**–**	(51)
Increase in accruals and other payables	**210**	11
Cash generated from/(used in) operations	**2,608**	(6,092)
Income tax paid	**(796)**	(1,101)
Net cash generated from/(used in) operating activities	**1,812**	(7,193)
Investing activity		
Interest received	**55**	63
Net cash generated from investing activity	**55**	63
Financing activity		
Decrease in amount due to the ultimate holding company	**108**	258
Net cash generated from financing activity	**108**	258
Net increase/(decrease) in cash and cash equivalents	**1,975**	(6,872)
Cash and cash equivalents at 1 January	**41,883**	48,755
Cash and cash equivalents at 31 December		
Cash and bank balances	**43,858**	41,883

1. GENERAL INFORMATION

Shaanxi Northwest New Technology Industry Company Limited (the "Company") was incorporated in the 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 NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for an accounting period that begins on or after 1 January 2016. These amendments have been applied by the Company for the first time in the current year unless otherwise specified. The impact of these amendments are described below.

a) Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception

The amendments mainly clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The Company is not an investment entity. Also, given that the Company is a listed entity, the consolidation exception set out in the amendments will not be applicable to the Company and hence the application of these amendments has had no material impact on the Company's financial statements.

b) Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards should be applied. The amendments also require that a joint operator to disclose the relevant information required by HKFRS 3 and other standards for business combinations. The amendments require prospective application; prospectively in annual periods beginning on or after 1 January 2016. The Company did not have any such transactions in the current year and hence the application of these amendments has had no impact on the Company's financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

2.1 Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

c) Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that an entity need not provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material (even if the HKFRS contains a list of specific requirements or describes them as minimum requirements). The amendments also give guidance on the bases of aggregating and disaggregating information for disclosure purposes. The amendments emphasize that an entity should consider whether to provide additional disclosures when compliance with the specific requirements in HKFRSs is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. Furthermore, the amendments require that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Company, and should be separated into the share of items that, in accordance with other HKFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

The application of these amendments has had no impact on the Company's financial statements as the Company has no interest in associates and joint ventures.

d) Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue-based amortisation is not an appropriate basis for amortisation of an intangible asset. The amendments states that such a presumption can only be rebutted in the following two limited circumstances:

- when the intangible asset is expressed as a measure of revenue; or
- when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

With regard to the Company's property, plant and equipment, the Company did not use revenue-based depreciation method and hence the amendments have not had any impact on the Company's financial position and financial performance. Rather, the Company has been using the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

2.1 Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

e) Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments define a bearer plant that is a living plant that:

a) is used in the production or supply of agricultural produce;

b) is expected to bear produce for more than one period; and

c) has a remote likelihood of being sold as agricultural produce except for incidental scrap sales.

The amendments require that biological assets that meet the definition of a bearer plant should be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The application of these amendments has had no impact on the Company's financial statements as the Company is not engaged in agricultural activities.

f) Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarized below.

Firstly, the amendments to HKFRS 5 introduce specific guidance for when an entity reclassifies an asset (or disposal Company) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply.

Secondly, the amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

Thirdly, the amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead. The Company did not have any defined benefit scheme.

The application of these amendments has had no material effect on the Company's financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

2.2 New and revised HKFRSs in issue but not yet effective

HKFRS 9	Financial Instruments[2]
HKFRS 15 and amendments to HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after to be determined

HKFRS 15 Revenue from Contracts with Customers and the clarifications to HKFRS 15

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

2.2 New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 15 Revenue from Contracts with Customers and the clarifications to HKFRS 15 (Continued)

The Company is still in the process of assessing the impact of HKFRS 15. The directors of the Company believe that it is impractical to disclose the impact in these financial statements until the Company has completed the assessment.

The Company is in the process of assessing the impact of these new and revised standards, amendments to standards and interpretation to existing standards and does not expect there will be a material impact on the financial statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basic of preparation

Statement of compliance

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 Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance ("CO"). 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").

Basis of preparation

The financial statements for the year ended 31 December 2016 comprise the Company. The financial statements have been prepared on the historical cost.

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 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 HKAS 2 or value in use in HKAS 36.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basic of preparation (Continued)

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 within 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 3.7).

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 equipments	7 years
Furniture, fixtures and equipments	5 years

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Financial instruments (Continued)

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.

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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Financial instruments (Continued)

3.4.1 Financial assets (Continued)

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.

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

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

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for similar financial assets. Such impairment loss will not be reversed in subsequent periods.

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 revered does not exceed what the amortised cost would have been had the impairment not been recognised.

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.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

3. 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.

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);
- (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); or
- (viii) the entity, or any member of a group of which it is a part, provide key management personal services to the Company or to the parent of the Company.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

4.1 Useful life of property, plant and equipment

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

4.2 Estimated impairment of assets

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

4.3 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.

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	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unleaded gasoline additives	**20,017**	24,467	**3,627**	6,606
Mercaptoacetic acid isooctyl	**11,955**	16,394	**4,733**	7,472
Total	**31,972**	40,861	**8,360**	14,078
Other revenue			**55**	63
Depreciation and amortisation			**(161)**	(16)
Other corporate expenses			**(5,839)**	(8,618)
Profit before taxation			**2,415**	5,507

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.

5. SEGMENT INFORMATION (Continued)

5.2 Segment assets and liabilities

	Segment assets		Segment liabilities	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unleaded gasoline additives	**46,021**	50,905	**246**	5,775
Mercaptoacetic acid isooctyl	**15,178**	10,283	**164**	3,869
Subtotal	**61,199**	61,188	**410**	9,644
Unallocated	**68,565**	66,639	**17,884**	8,377
Total	**129,764**	127,827	**18,294**	18,021

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

- all assets are allocated to reportable segments other than assets classified as 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	
	2016	2015
	RMB'000	RMB'000
Unleaded gasoline additives	**581**	631
Mercaptoacetic acid isooctyl	**347**	352
Unallocated	**161**	16
	1,089	999

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:

	2016 **RMB'000**	2015 RMB'000
Customer A[1]	**6,266**	9,178
Customer B[1]	**5,689**	7,216
Customer C[2]	**4,071**	4,723
Customer D[2]	**3,981**	4,692
Customer E[2]	**N/A[3]**	4,303

[1] Revenue from sales of mercaptoacetic acid isooctyl.

[2] Revenue from sales of unleaded gasoline additives.

[3] The corresponding revenue did not contribute over 10% to the total sales of the Company.

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

6. REVENUE

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

	2016 **RMB'000**	2015 RMB'000
Unleaded gasoline additives	**20,018**	24,467
Mercaptoacetic acid isooctyl	**11,954**	16,394
	31,972	40,861

7. OTHER REVENUE AND OTHER GAINS OR LOSSES, NET

	2016 RMB'000	2015 RMB'000
Bank interest income	55	63
Impairment loss on trade and other receivables, prepayments and deposits	(2,788)	(4,332)
Reversal of impairment loss on trade receivables	1,551	3,611
Reversal of impairment on inventories	280	–
	(902)	(658)

8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2016 RMB'000	2015 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	2,156	2,300
– Defined contribution scheme	95	142
	2,251	2,442
Cost of inventories sold	22,445	25,355
Depreciation of property, plant and equipment	879	789

9. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

	Notes	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
		Year ended 31 December 2016			
Name of directors					
Executive directors					
Wang Cong		–	120	8	128
Wang Feng		–	60	8	68
Yang Xiaohuai	1	–	60	8	68
Tian Lingling		–	60	8	68
Feng Tuo	2	–	–	–	–
		–	300	32	332
Non-executive director					
Wang Zhe	3	–	–	–	–
Independent non-executive directors					
Li Gangjian		50	–	–	50
Zhao Boxiang		50	–	–	50
Zhao Xiaoning		50	–	–	50
		150	–	–	150
Total directors' emoluments for 2016		150	300	32	482
Name of supervisors					
Zeng Yinglin		–	60	8	68
Zhang Xiao Ping		24	–	–	24
Xing Manli		–	36	5	41
Duan Lin	4	30	–	–	30
Wang Gong Xun	4	30	–	–	30
Total supervisors' emoluments for 2016		84	96	13	193
Total		234	396	45	675

9. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

	Year ended 31 December 2015			
	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Name of directors				
Executive directors				
Wang Cong	–	120	8	128
Wang Feng	–	60	8	68
Yang Xiaohuai	–	60	8	68
Tian Lingling	–	60	8	68
	–	300	32	332
Independent non-executive directors				
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

1 Yang Xiaohuai was resigned as executive director on 30 December 2016.

2 Feng Tuo was appointed as executive director on 30 December 2016.

3 Wang Zhe was appointed as non-executive director on 30 December 2016.

4 Duan Lin and Wang Gong Xun was resigned as supervisors on 30 December 2016.

Salaries, allowance and benefits in kind paid to or for the executive directors are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

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

	2016	2015
	RMB'000	RMB'000
Current tax:		
PRC corporate income tax		
provision for the year	**751**	1,200

(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:

	2016	2015
	RMB'000	RMB'000
Profit before taxation	**2,415**	5,507
Tax at the statutory tax rates	**362**	827
Income not subject to tax	**(283)**	(10)
Expenses not deductible for tax	**672**	383
Income tax expense for the year	**751**	1,200

12. DIVIDENDS

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

13. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of approximately RMB1,664,000 (2015: RMB4,307,000) and the weighted average number of 956,000,000 (2015: 921,468,493) shares in issue during the year.

Diluted earnings per share is equal to basic earnings per share as there were no dilutive potential ordinary shares outstanding for both years.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvements	Plant and equipments	Furniture, fixtures and equipments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At cost:					
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	19,364	3,883	30,053	1,945	55,245
Accumulated depreciation and impairment:					
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 and 1 January 2016	7,807	3,883	29,288	1,760	42,738
Charge for the year	603	–	276	–	879
At 31 December 2016	8,410	3,883	29,564	1,760	43,617
Net carrying value:					
At 31 December 2016	10,954	–	489	185	11,628
At 31 December 2015	11,557	–	765	185	12,507

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 RMB'000	2015 RMB'000
Unlisted equity security, at cost	**14,260**	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

	2016 RMB'000	2015 RMB'000
Carrying value		
At 1 January	**6,828**	7,038
Amortisation	**(210)**	(210)
At 31 December	**6,618**	6,828
Non-current portion	**(6,408)**	(6,618)
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 (2015: 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

	2016 RMB'000	2015 RMB'000
Raw materials	**126**	509
Finished goods	**993**	219
	1,119	728

18. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2016	2015
	RMB'000	RMB'000
Trade receivables (note (b))	**36,592**	31,586
Other receivables	**448**	203
Loans and receivables	**37,040**	31,789
Prepayments and deposits	**15,241**	19,832
	52,281	51,621

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:

	2016	2015
	RMB'000	RMB'000
0 – 90 days	**8,779**	10,633
91 – 180 days	**10,242**	14,117
181 – 365 days	**15,625**	11,761
Over 365 days	**31,213**	23,105
	65,859	59,616
Less: Accumulated impairment loss on trade receivables	**(29,267)**	(28,030)
	36,592	31,586

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.

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

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

	2016	2015
	RMB'000	RMB'000
At 1 January	**28,030**	27,309
Impairment losses on trade receivables	**2,788**	4,332
Reversal of impairment losses on trade receivables	**(1,551)**	(3,611)
At 31 December	**29,267**	28,030

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 2016, trade receivables of the Company amounting to approximately RMB29,267,000 (2015: RMB28,030,000) 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 RMB2,788,000 (2015: RMB4,332,000) 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.

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. Aging analysis of trade receivables past due but not impaired is as follows:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	34,646	10,633
Less than 6 months past due	1,946	14,117
More than 6 months but less than 1 year past due	–	6,836
Total trade receivables, net	36,592	31,586

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:

	2016 RMB'000	2015 RMB'000
0 day to 90 days	–	18
91 days to 180 days	–	–
181 days to 365 days	–	–
Over 365 days	410	392
	410	410

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 2015, 31 December 2015, 1 January 2016, and 31 December 2016	680,000	68,000
H shares		
At 1 January 2015	230,000	23,000
Issue of consideration shares (Note 1)	46,000	4,600
At 31 December 2015 and 1 January 2016	276,000	27,600
Issue of consideration shares (Note 2)	55,000	5,500
At 31 December 2016	331,000	33,100
	1,011,000	101,100

Note:

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

2) On 30 November 2016, the Company issued 55,000,000 H shares as consideration for the acquisition of 30% equity interests of Northwest Securities Investment Management Company Limited ("Northwest Securities"). Those H shares held by the Company's share register in escrow, and will be delivered upon the completion of the acquisition. At the date of this report, the acquisition of 30% equity interests in Northwest Securities has not yet completed.

22. RESERVES

Details of movement in the Company's reserves have been set out in the statement of changes in equity on page 35.

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.

Treasury shares

Treasury shares represented shares of the Company issued but held by the Company's share register in escrow. Those shares will be delivered upon the completion of relevant condition.

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 2016, the Company issued 55,000,000 H Shares as consideration to a vendor for acquisition of 30% equity interests of Northwest Securities.

24. SHARE OPTION SCHEME

As at 31 December 2016 and 2015, 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.

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:

	2016	2015
	RMB'000	RMB'000
Amount due to the ultimate holding company	**3,447**	3,339

(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. 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.

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 19% and 74% (2015: 6.6% and 49%) 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 which are reputable financial institutions with sound credit ratings.

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.

26. RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

Liquidity risk (Continued)

At 31 December 2016 and 2015, the remaining contractual maturity of the Company's financial liabilities which are based on undiscounted cash flows and earliest date of the Company can be required to pay, are within one year or on demand (2015: within one year or on demand):

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 3.4 for explanations on how the category of financial instruments affects their subsequent measurement.

Financial assets

	2016 **RMB'000**	2015 RMB'000
Available-for-sale financial assets	**14,260**	14,260
Loan and receivables (including cash and cash equivalents)		
– Trade receivables	**36,592**	31,586
– Other receivables	**448**	203
– Cash and cash equivalents	**43,859**	41,883
	95,159	87,932

Financial liabilities

	2016 **RMB'000**	2015 RMB'000
Trade payables	**410**	410
Other payables and accruals	**9,445**	9,235
Amount due to the ultimate holding company	**3,447**	3,339
	13,302	12,984

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.

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 2016 and 2015.

The financial leverage of the Company as at 31 December 2016, as compared to 31 December 2015 has been disclosed in the management discussion and analysis.

28. EVENTS AFTER THE REPORTING PERIOD

1 On 5 January 2017, the Company and Northwest Securities, an independent third party, entered into an acquisition agreement, pursuant to which the Company has conditionally agreed to purchase and the Northwest Securities has conditionally agreed to sell 100% shares in Goldenway Securities Company Limited at a consideration of HK$21,500,000. The consideration will be satisfied by the Company by way of allotment and issue of 100,000,000 new H Shares to the Northwest Securities upon the acquisition completion. At the date of this report, the acquisition has not yet completed.

2 On 5 January 2017, the Company and Northwest Investment Holding Limited ("Northwest Investment"), an independent third party of the Company entered into an acquisition agreement, pursuant to which the Company has conditionally agreed to purchase and the Northwest Investment has conditionally agreed to sell 40% limited partner interest in Tianjin Northwest Global Mergers and Acquisition Investment Fund LLP at a consideration of RMB40,000,000. The consideration will be satisfied by the Company by way of allotment and issue of 209,300,000 new H Shares to Northwest Investment upon the acquisition completion. At the date of this report, the acquisition has not yet completed.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2017.

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**31,972**	40,861	58,675	57,186	53,908
Profit before taxation	**2,415**	5,507	6,275	(54,565)	11,647
Taxation	**(751)**	(1,200)	(1,559)	(1,800)	(1,339)
Net profit for the year	**1,664**	4,307	4,716	(56,365)	10,308

ASSETS AND LIABILITIES

	At 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**141,571**	127,827	108,943	102,503	160,724
Total liabilities	**(18,294)**	(18,021)	(17,704)	(15,980)	(17,836)
Total equity	**123,277**	109,806	91,239	86,523	142,888