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Jiangsu Innovative Ecological New Materials Limited
江蘇創新環保新材料有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2116)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of Jiangsu Innovative Ecological New Materials Limited (the "**Company**") is pleased to announce the audited annual results (the "**Annual Results**") of the Company and its subsidiaries (the "**Group**", "**we**", "**us**" or "**our**") for the year ended 31 December 2018 (the "**Reporting Period**"), together with comparative figures for the corresponding period in 2017. The Board and the audit committee (the "**Audit Committee**") have reviewed and confirmed the Annual Results.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2018

*(Expressed in Renminbi ("**RMB**") Yuan)*

	Note	**2018**	2017
		RMB'000	*RMB'000*
Revenue	2	**177,119**	186,823
Cost of sales		**(123,944)**	(117,665)
Gross profit		**53,175**	69,158
Other income	3	**6,042**	846
Sales and marketing expenses		**(7,621)**	(7,547)
General and administrative expenses		**(17,569)**	(21,900)
Research and development expenses	4(c)	**(7,751)**	(7,941)
Profit from operations		**26,276**	32,616
Finance costs	4(a)	**(334)**	(297)
Profit before taxation	4	**25,942**	32,319
Income tax	5	**(2,970)**	(4,942)
Profit for the year		**22,972**	27,377
Earnings per share	6		
Basic and diluted (RMB cents)		**5.09**	7.60

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018

(Expressed in Renminbi Yuan)

	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**22,972**	27,377
Other comprehensive income for the year (after tax and reclassification adjustments):		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	**9,994**	—
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside mainland China	**(4,137)**	—
Other comprehensive income for the year	**5,857**	—
Total comprehensive income for the year	**28,829**	27,377

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2018

(Expressed in Renminbi Yuan)

	Note	**2018**	2017
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment	7	**33,565**	19,565
Lease prepayment		**3,404**	3,504
Deferred tax assets	14(b)	**1,221**	446
		38,190	23,515
Current assets			
Inventories	8	**24,622**	15,746
Trade and other receivables	9	**96,413**	91,954
Cash and cash equivalents	10	**111,690**	25,973
		232,725	133,673
Current liabilities			
Bank loan	13	**—**	18,000
Trade and other payables	12	**20,883**	27,839
Contract liabilities	11	**492**	—
Income tax payable	14(a)	**5,033**	4,038
		26,408	49,877
Net current assets		**206,317**	83,796
Total assets less current liabilities		**244,507**	107,311
NET ASSETS		**244,507**	107,311

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
at 31 December 2018
(Expressed in Renminbi Yuan)

	Note	**2018**	2017
		RMB'000	*RMB'000*
CAPITAL AND RESERVES			
Share capital	15	**3,873**	—
Reserves	15	**240,634**	107,311
TOTAL EQUITY		**244,507**	107,311

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2018

(Expressed in Renminbi Yuan)

	Note	**2018**	2017
		RMB'000	*RMB'000*
Operating activities:			
Cash generated from operations	10(b)	**10,888**	25,349
Income tax paid	14(a)	**(2,750)**	(6,033)
Net cash generated from operating activities		**8,138**	19,316
Investing activities:			
Payment for purchase of property, plant and equipment		**(14,692)**	(400)
Payment for investment in available-for-sale financial assets		**—**	(26,150)
Proceeds from disposal of available-for-sale financial assets		**—**	38,150
Advance to related parties		**—**	(1,819)
Proceeds from repayment of advance to related parties		**—**	9,571
Proceeds from repayment of advance to third parties		**—**	1,000
Interest received		**1,915**	131
Net cash (used in)/generated from investing activities		**(12,777)**	20,483
Financing activities:			
Proceeds from bank loan	10(c)	**—**	18,000
Repayment of bank loan	10(c)	**(18,000)**	—
Net proceeds from issuance of shares by initial public offering, net of issuance cost	15(b)	**108,367**	—
Interest paid		**(334)**	(277)
Profit distribution	10(c)	**—**	(33,937)
Net cash generated from/(used in) financing activities		**90,033**	(16,214)
Net increase in cash and cash equivalents		**85,394**	23,585
Effect of foreign exchange rate changes		**323**	16
Cash and cash equivalents at beginning of the year	10(a)	**25,973**	2,372
Cash and cash equivalents at end of the year	10(a)	**111,690**	25,973

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 Significant accounting policies

(a) 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 requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of our Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to our Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

Jiangsu Innovative Ecological New Materials Limited was incorporated in the Cayman Islands on 6 July 2017 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to the completion of various steps of a reorganization on 12 September 2017, the Company became the holding company of our Group. The Company's shares were listed on the Main Board of the Stock Exchange (the "**Main Board**") on 28 March 2018 (the "**Listing**"). Our Group are principally engaged in the development, manufacture and sale of oil refining agents and fuel additives that are applied to reduce undesirable emissions and navigate the regulatory landscape.

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries.

(i) Basis of measurement

Items included in the financial statements of each entity in our Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "**Functional Currency**"). The financial statements are presented in RMB, rounded to the nearest thousands, which is the presentation currency. The measurement basis used in the preparation of the financial statements is the historical cost basis except for investments in debt securities.

(ii) Use of estimates and judgments

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

(c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of our Group. Of these, the following developments are relevant to our Group's financial statements:

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers
- HK(IFRIC) 22, Foreign currency transactions and advance consideration

None of these developments have had a material effect on how our Group's results and financial position for the current or prior periods have been prepared or presented. Our Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 Revenue

(a) Disaggregation of revenue

(i) Disaggregation of revenue from contracts with customers by major products lines

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of oil refining agents	**104,248**	130,773
Sales of fuel additives	**72,871**	56,050
Total	**177,119**	186,823

All revenue was recognized at a point in time under HKFRS 15.

Our Group's customer base included one customer with which transactions had exceeded 10 percent of our Group's revenues for the year ended 31 December 2018 presented as below:

	2018	2017
	RMB'000	*RMB'000*
Customer A	**24,712**	22,719
Customer B	*	19,775
Customer C	*	19,633

* Less than 10 percent of our Group's revenue during the year ended 31 December 2018.

(ii) Disaggregation of revenue from contracts with customers by geographical area

The following table sets out information about the geographical location of our Group's revenue from external customers. The geographical location of revenue is based on the customers' location. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of lease prepayment. During the year ended 31 December 2018, substantially all specified non-current assets were physically located in the PRC.

	2018	2017
	RMB'000	*RMB'000*
Mainland China	**171,332**	163,300
Sudan	**4,898**	21,060
Other countries and regions	**889**	2,463
Total	**177,119**	186,823

(iii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

Our Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for oil refining agents such that our Group does not disclose information about revenue that our Group will be entitled to when it satisfied the remaining performance obligations under the contracts for sales of oil refining agents that had an original expected duration of one year or less.

(b) Segment reporting

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by our Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, our Group has determined that it only has one operating segment which is the sale of oil refining agents and fuel additives.

3 Other income

	2018	2017
	RMB'000	*RMB'000*
Service income	**146**	599
Government grants	**2,669**	500
Net foreign exchange gain/(loss)	**1,017**	(354)
Interest income on financial assets measured at amortised cost	**1,915**	31
Interest income from available-for-sale financial assets	**—**	100
Others	**295**	(30)
Total	**6,042**	846

4 Profit before taxation

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

(a) Finance costs

	2018	2017
	RMB'000	*RMB'000*
Interest on bank loan	**334**	297

(b) Staff costs

	2018	2017
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**5,505**	5,385
Contributions to defined contribution retirement plans (i)	**358**	588
	5,863	5,973

(i) Employees of our Group's subsidiary in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. Our Group's subsidiary in the PRC contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

Our Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

(c) Other items

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories (i) (note 8(b))	**128,040**	122,604
Research and development expenses	**7,751**	7,941
Depreciation	**2,576**	2,465
Amortization of lease prepayment	**100**	100
Impairment losses of trade receivables recognised/(reversed)	**78**	(64)
Listing expenses	**7,320**	13,354
Auditors' remuneration	**1,385**	7

(i) Cost of inventories includes the following amounts, which are also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.

	2018	2017
	RMB'000	*RMB'000*
Staff costs	**1,291**	1,378
Depreciation and amortization	**441**	350
Research and development expenses	**4,096**	4,939

5 Income tax

(a) Income tax in the consolidated statements of profit or loss represents:

	2018	2017
	RMB'000	*RMB'000*
Current tax:		
Provision for current income tax for the year	**4,014**	4,997
Over-provision in prior years	**(269)**	—
	3,745	4,997
Deferred tax:		
Origination and reversal of temporary differences (note 14(b))	**(775)**	(55)
	2,970	4,942

(b) Reconciliation between actual income tax expense and accounting profit at applicable tax rates:

	2018	2017
	RMB'000	*RMB'000*
Profit before taxation	**25,942**	32,319
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned (i)	**6,751**	8,080
Tax effect of preferential tax rate (ii)	**(2,708)**	(3,232)
Over-provision in prior years	**(269)**	—
Tax effect of non-deductible expenses	**91**	719
Utilisation of temporary differences not recognised in previous years	**(304)**	—
Tax losses not recognized (iii)	**19**	—
Additional deduction for qualified research and development costs (iv)	**(610)**	(625)
Actual income tax expense	**2,970**	4,942

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, our Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

The Company's subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at 16.5% of the estimated assessable profits. Payments of dividends by Hong Kong companies are not subject to any withholding tax.

(ii) The Company's subsidiary, Jiangsu Chuangxin Petrochemical Co., Ltd. ("**Jiangsu Chuangxin**") is subject to the PRC corporate income tax rate of 25%. According to the PRC Corporate Income Tax Law and its relevant regulations, entities that are qualified as High and New Technology Enterprise under the tax law are entitled to a preferential income tax rate of 15%. Jiangsu Chuangxin obtained the approval of High and New Technology Enterprise in 2013 with an effective period of three years from 2013 to 2015 and obtained the renewed approval of High and New Technology Enterprise in 2016 with another effective period of three years from 2016 to 2018. Therefore, Jiangsu Chuangxin was entitled to a preferential income tax rate of 15% for a period of three years from 2016 to 2018.

(iii) Considering the uncertainty of the future available taxable profits against which certain tax benefits can be utilised in the relevant tax jurisdiction and entity, our Group has not recognised deferred tax assets in respect of unused tax losses of RMB117,000. As a result, deferred tax assets of RMB19,000 have not been recognised.

(iv) Under the PRC Corporate Income Tax Law and its relevant regulations, additional tax deduction is allowed for qualified research and development costs.

6 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB22,972,000 (2017: RMB27,377,000), and the weighted average of 451,726,027 ordinary shares (2017: 360,000,000 shares after adjusting capitalization issue) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2018	2017
Shares in issue on January 1	**1**	1
Effect of capitalization issue on 11 March 2018 (note)	**359,999,999**	359,999,999
Effect of shares issued by initial public offering on 28 March 2018	**91,726,027**	—
Weighted average number of ordinary shares	**451,726,027**	360,000,000

Note: The number of ordinary shares outstanding before the capitalization issue is adjusted for the proportionate change in the number of ordinary shares outstanding as if the capitalization issue had occurred at the beginning of the earliest period presented.

There were no dilutive potential ordinary shares for the years ended 31 December 2018 and 2017; therefore, diluted earnings per share are equivalent to basic earnings per share.

7 Property, plant and equipment

	Plant and buildings *RMB'000*	Machinery and equipment *RMB'000*	Office and other equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in process *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2017	23,221	15,011	3,976	12,943	—	55,151
Additions	—	—	400	—	—	400
At 31 December 2017 and 1 January 2018	23,221	15,011	4,376	12,943	—	55,551
Additions	58	177	493	—	15,848	16,576
Disposals	—	—	(50)	—	—	(50)
At 31 December 2018	23,279	15,188	4,819	12,943	15,848	72,077
Accumulated depreciation:						
At 1 January 2017	(11,010)	(9,031)	(2,591)	(10,889)	—	(33,521)
Charge for the year	(1,050)	(635)	(373)	(407)	—	(2,465)
At 31 December 2017 and 1 January 2018	(12,060)	(9,666)	(2,964)	(11,296)	—	(35,986)
Charge for the year	(1,051)	(645)	(473)	(407)	—	(2,576)
Written back on disposals	—	—	50	—	—	50
At 31 December 2018	(13,111)	(10,311)	(3,387)	(11,703)	—	(38,512)
Net book value:						
At 31 December 2018	10,168	4,877	1,432	1,240	15,848	33,565
At 31 December 2017	11,161	5,345	1,412	1,647	—	19,565

At 31 December 2017, certain properties of our Group with a carrying amount of RMB 5,195,000 were pledged to secure the bank loan of our Group as detailed in Note 13.

8 Inventories

(a) Inventories in the consolidated statements of financial position comprise:

	2018	2017
	RMB'000	*RMB'000*
Raw materials	**19,280**	11,012
Work in progress	**737**	349
Finished goods	**4,061**	4,206
Consignment goods	**544**	179
	24,622	15,746

(b) The analysis of the amount of inventories recognised as expenses and included in profit or loss is as follows:

	2018	2017
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**123,946**	117,691
Write-down of inventories	**—**	26
Reversal of write-down of inventories	**(2)**	(52)
Cost of inventories directly recognised as research and development expenses	**4,096**	4,939
	128,040	122,604

9 Trade and other receivables

	2018	2017
	RMB'000	*RMB'000*
Trade receivables, net of loss allowance (note (a))	**81,702**	79,831
Bills receivables (note (b))	**7,495**	3,550
Other receivables	**5,530**	3,591
Financial assets measured at amortised cost	**94,727**	86,972
Deposits and prepayments	**1,686**	4,982
Trade and other receivables, net	**96,413**	91,954

All of the trade and other receivables, including deposits and prepayments, are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

As at the end of each reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**65,485**	41,781
After 3 months but within 6 months	**5,323**	27,725
After 6 months but within 1 year	**4,673**	9,967
After 1 year but within 2 years	**6,221**	350
After 2 years	**—**	8
Trade receivables, net of loss allowance	**81,702**	79,831

(b) Bills receivables

Bills receivables represent short-term bank acceptance notes receivable that entitle our Group to receive the full face amount from banks at maturity, which generally ranges from 3 to 6 months from the date of issuance. Historically, our Group had experienced no credit losses on bills receivable. Our Group from time to time endorses bills receivables to suppliers as part of the treasury management.

During the years ended 31 December 2018 and 2017, our Group endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a fully recourse basis. Our Group had derecognised these bills receivable and the payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the end of each reporting period. In the opinion of the directors, our Group had transferred substantially all the risks and rewards of ownership of these bills to its suppliers, and our Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevaant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. Our Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 31 December 2018, our Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by our Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB200,000 (2017: RMB3,050,000).

10 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	2018	2017
	RMB'000	*RMB'000*
Cash at banks and on hand	**111,690**	25,973

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	**2018**	2017
		RMB'000	*RMB'000*
Profit before taxation		**25,942**	32,319
Adjustments for:			
Depreciation	4(c)	**2,576**	2,465
Amortization of lease prepayment	4(c)	**100**	100
Reversal of write-down of inventories	8(b)	**(2)**	(26)
Finance costs		**334**	297
Interest income	3	**(1,915)**	(131)
Foreign exchange differences		**25**	(16)
Changes in working capital:			
(Increase)/decrease in inventories		**(8,874)**	1,246
Increase in trade and other receivables		**(4,459)**	(21,842)
(Decrease)/increase in trade and other payables		**(3,331)**	10,937
Increase in contract liabilities		**492**	—
Cash generated from operations		**10,888**	25,349

(c) Reconciliation of liabilities arising from financial activities is as below:

	Bank loan	**Dividends payable**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
	(Note 13)	*(Note 12)*	
Balance at 1 January 2017	—	22,848	22,848
Non-cash changes			
– Profit distributions (note 15(a))	—	20,415	20,415
– Settlement of dividends payable against amounts due from the controlling shareholder (i)	—	(9,326)	(9,326)
Cash flows			
– Inflow from financing activities	18,000	—	18,000
– Outflow from financing activities	—	(33,937)	(33,937)
Balance at 31 December 2017 and 1 January 2018	18,000	—	18,000
Cash flows			
– Outflow from financing activities	(18,000)	—	(18,000)
Balance at 31 December 2018	—	—	—

(i) Pursuant to a debt transfer and set-off agreement entered into on 7 September 2017 among our Group, Full Success International Limited ("**Full Success**"), the then equity shareholder of Jiangsu Chuangxin and the controlling shareholder of our Group, our Group's dividend payables to Full Success of RMB9,326,000, less related withholding tax, was offset by its amounts due from the controlling shareholder of RMB8,393,000.

11 Contract liabilities

Contract liabilities	**2018** ***RMB'000***	2017 *RMB'000*
Made-to-order manufacturing arrangements		
– Billings in advance of performance(i)	**492**	—

(i) Upon the adoption of HKFRS 15, these amounts were presented as contract liabilities.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Made-to-order manufacturing arrangements

When our Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised when control over a product transferred to the customers. Our Group typically receives a deposit on acceptance of orders from new customers, the amount of the deposit, if any, was negotiated on a case by case basis with customers.

Movements in contract liabilities

	2018	2017
	RMB'000	*RMB'000*
Balance at 1 January	**—**	—
Increase in contract liabilities as a result of billing in advance of manufacturing activities	**2,881**	3,308
Decrease in contract liabilities as a result of recognising revenue during the year	**(2,389)**	(3,308)
Balance at 31 December	**492**	—

12 Trade and other payables

	2018	2017
	RMB'000	*RMB'000*
Trade payables (note (a))	**5,373**	9,171
Other payables and accruals	**15,510**	18,668
Trade and other payables	**20,883**	27,839

All trade payables are expected to be settled within one year.

(a) An ageing analysis of trade payables, based on the invoice date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**5,202**	7,401
Over 3 months but within 6 months	**106**	1,251
Over 6 months but within 1 year	**53**	163
Over 1 year but within 2 years	**10**	356
Over 2 years but within 3 years	**2**	—
Trade payables	**5,373**	9,171

13 Bank loan

As at 31 December 2017, the bank loan represented a one-year loan of RMB18,000,000 with an annual interest rate of 4.8% borrowed from a state-owned commercial bank in the PRC pledged by the land use rights and properties of our Group. The carrying amounts of land use rights and properties of our Group pledged amounted to RMB3,504,000 and RMB5,195,000 respectively as at 31 December 2017. The bank loan was repaid by our Group on 9 May 2018.

14 Income tax in the consolidated statements of financial position

(a) Current taxation in the consolidated statements of financial position represents:

	2018	2017
	RMB'000	*RMB'000*
Balance at 1 January	**4,038**	5,074
Provision for current income tax for the year (note 5(a))	**4,014**	4,997
Over-provision in prior years (note 5(a))	**(269)**	—
Payment made during the year	**(2,750)**	(6,033)
Balance at 31 December	**5,033**	4,038

(b) Deferred tax assets recognised:

(i) The components of deferred tax assets recognised in the consolidated statements of financial position and the movements during the year are as follows:

Deferred tax arising from:	**Credit loss allowance**	**Inventory provision**	**Accrued expenses and other payables**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2017	17	46	328	391
(Charged)/credited to profit or loss (note 5(a))	(10)	(7)	72	55
Balance at 31 December 2017 and 1 January 2018	7	39	400	446
Credited/(charged) to profit or loss (note 5(a))	9	(3)	769	775
Balance at 31 December 2018	16	36	1,169	1,221

(ii) Reconciliation to the consolidated statements of financial position:

	2018	2017
	RMB'000	*RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	**1,221**	446
Net deferred tax liabilities recognised in the consolidated statements of financial position	**—**	—
	1,221	446

(c) Deferred tax liabilities not recognised:

The new CIT Law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings of PRC enterprises accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. Our Group has not recognised deferred tax liabilities as at 31 December 2018 in respect of undistributed earnings of RMB33,741,000 (2017: RMB12,040,000) as the Company controls the dividend policy of the subsidiaries and it has been determined that these profits will not be distributed in the foreseeable future.

15 Capital and reserves

(a) Profit distribution

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2018	2017
	RMB'000	*RMB'000*
Final dividend proposed after the end of the Reporting Period of Hong Kong Dollar ("**HK$**") 0.01 per ordinary share (2017: nil)	**4,104**	—

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

On 31 August 2017, dividends of RMB20,415,000 were declared and approved by Jiangsu Chuangxin in respect of the year ended 31 December 2017 to Full Success, the then equity shareholder of Jiangsu Chuangxin.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

No final dividend in respect of the previous financial year has been approved during the year (2017: RMB nil).

(b) Share capital

(i) Authorized and issued share capital

	Par value	**No. of shares**	**HK$**
	HK$	*'000*	*'000*
Authorized shares at 31 December 2018:			
Ordinary shares, issued and fully paid			
At 1 January 2017	—	—	—
Arising from the reorganisation	0.01	—*	—*
At 31 December 2017	0.01	—*	—*
RMB equivalent ('000)			—*
At 1 January 2018	0.01	—*	—*
Capitalization issue (note(ii))	0.01	360,000	3,600
Initial public offering (note(iii))	0.01	120,000	1,200
At 31 December 2018	0.01	480,000	4,800
RMB equivalent ('000)			3,873

* The balance represented number less than 1,000.

The Company was incorporated in the Cayman Islands on 6 July 2017 as part of the Reorganization with an initial authorized share capital of HK$380,000 divided into 38,000,000 shares with a par value of HK$0.01 each, of which one fully paid share was allotted and issued on 6 July 2017.

Upon the completion of various steps of the Reorganization, the Company became the holding company of the companies comprising our Group on 12 September 2017. The share capital in the consolidated statement of financial position as at 31 December 2017 represents the issued share capital of HK$0.01 of the Company.

(ii) Capitalization issue

Pursuant to the written resolution dated 11 March 2018, the Company allotted and issued 360,000,000 shares of HK$0.01 each to the then existing shareholders. This resolution was conditional upon the share premium account being credited as a result of the Company's initial public offering and pursuant to this resolution, a sum of HK$3,600,000 (equivalent to RMB2,913,000) standing to the credit of the share premium account as of 28 March 2018 was subsequently applied in paying up this capitalization issue in full.

(iii) Issue of ordinary shares by initial public offering

On 28 March 2018, the Company issued 120,000,000 shares with a par value of HK$0.01, at a price of HK$1.25 per share by way of public offering in Hong Kong. Net proceeds from these issues amounted to RMB108,367,000 (after offsetting expenses directly attributable to the issue of shares of RMB11,663,000), out of which RMB960,000 and RMB107,407,000 were recorded in share capital and share premium accounts, respectively.

(c) Share premium

Share premium as at 31 December 2018 represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received from the initial public offering, net of related issuance costs. Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately from following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

16 Commitment

Capital commitments outstanding at 31 December 2018 not provided for in the financial statements were as follows:

	2018	2017
	RMB'000	*RMB'000*
Contracted for	**1,875**	—
Authorised but not contracted for	**—**	—
	1,875	**—**

17 Non-adjusting events after the Reporting Period

After the end of the Reporting Period, the Directors proposed a final dividend. Further details are disclosed in note 15(a).

MANAGEMENT DISCUSSION AND ANALYSIS

We develop, manufacture and market oil refining agents and fuel additives that are primarily applied to reduce undesirable emissions and comply with the evolving regulatory requirements.

The shares of the Company (the "**Shares**") were listed on the Main Board of the Stock Exchange on 28 March 2018 (the "**Listing Date**") and the completion of the share ofter in connection therewith (the "**Share Offer**") took place on the same day.

Industry Overview

Oil refining agents refer to different chemicals used during the crude oil refining process, typically to enhance the refining process and improve the performance of final products or protect oil refining units. Fuel additives are added into fuel oils to improve the quality of fuel oils and thereby enhance the engine performance of vehicles.

The "China V" Fuel Quality Standard (第五階段車用汽油國家標準) promulgated by the government of the People's Republic of China (the "**PRC**") has been fully implemented as from 1 January 2018. The government of the PRC will implement even more stringent fuel quality requirements under the "China VI" Fuel Quality (第六階段車用汽油國家標準) Standard on 1 July 2020. In fact, some of the provinces and cities in eastern China have already partially implemented this new standard starting from 1 January 2019.

The volume of application of oil refining agents and fuel additives is highly correlated to crude oil consumption and fuel quality standards in China. With oil consumption in China continuing to increase over the past decades, the country's oil refining agents and fuel additives industry has likewise continued to grow at a steady pace.

The PRC oil refining agents and fuel additives industry is relatively fragmented. In recent decades, producers of oil refining agents in China experienced a period of relatively rapid growth alongside major players located mostly in Jiangsu province. Jiangsu province is surrounded by a number of large-scale refinery plants. The oil refining agents and fuel additives manufacturers located in Jiangsu province gain a great advantage over competitors that are located elsewhere by being able to maintain lower logistical costs.

Business Overview

We aspire to bring forth an innovative, environmentally sustainable generation of oil refining technology with our oil refining agents and fuel additives. Our oil refining agents are used to refine crude oil and extend the working life of oil refining units, enhancing economic efficiencies and, with respect to oil refineries, reducing undesirable emissions in the form of industrial waste. Our fuel additives are used to assist customers in complying with ever more stringent mandatory emissions regulations while maintaining the quality and efficiency of fuels. We are among the earliest of our peers to enter the PRC oil refining agents and fuel additives industry and formed long-standing relationships with various affiliates of three state-owned conglomerates, namely China Petrochemical Corporation (中國石油化工集團公司) ("**Sinopec**"), China National Offshore Oil Corporation (中國海洋石油集團) and China National Petroleum Corporation (中國石油天然氣集團公司) ("**CNPC**").

As a result of our efforts in customer diversification, we have become a regular supplier of several large-scale private refining enterprises, which will further extend the influence of our Group.

As of the date of this announcement, we own three invention patents and 15 utility model patents and have been qualified as "High and New Technology Enterprise" (高新技術企業) since 2013. For the year ended 31 December 2018, we recorded total revenue of RMB177.1 million as compared to total revenue of RMB186.8 million for the year ended 31 December 2017.

Our Product

Oil refining agents

The majority of our revenue was derived from oil refining agents that we sold. The revenue from our oil refining agents decreased by 20.3% from RMB130.8 million for the year ended 31 December 2017 to RMB104.2 million for the year ended 31 December 2018. The cost of sales for oil refining agents decreased by 7.5% from RMB82.5 million for the year ended 31 December 2017 to RMB76.3 million for the year ended 31 December 2018.

Fuel additives

The revenue from our fuel additives increased by 29.9% from RMB56.1 million for the year ended 31 December 2017 to RMB72.9 million for the year ended 31 December 2018. The cost of sales for fuel additives increased by 35.5% from RMB35.2 million for the year ended 31 December 2017 to RMB47.7 million for the year ended 31 December 2018.

Compliance with Key Regulatory Requirements

The following table summarizes the key statutory requirements and our compliance status for the year ended 31 December 2018:

Key requirements	Compliance status
According to the Measures for the Implementation of the Permits for the Safe Use of Hazardous Chemicals (危險化學品安全使用許可證實施辦法), chemical enterprises (other than manufacturing enterprises of hazardous chemicals) which use hazardous chemicals in production and the amount of their consumption of hazardous chemicals has reached the quantitative standards of hazardous chemicals shall obtain the License for the Safe Use of Hazardous Chemicals (危險化學品安全使用許可證).	Our Group complied with such requirement for the year ended 31 December 2018.
According to the Measures for the Administration of Permits for Trading in Hazardous Chemicals (危險化學品經營許可證管理辦法), enterprises carrying out the operation of hazardous chemicals without the License for the Safe Operation of Businesses Dealing in Hazardous Chemicals (危險化學品經營許可證) may be ordered by the production safety administrative authorities to stop their business activities.	Our Group complied with such requirement for the year ended 31 December 2018.
According to the Interim Measures for the Administration of Pollutants Discharge Licenses (排污許可證管理暫行規定), enterprises directly or indirectly discharging industrial wastewater into water must obtain a pollutant discharge license.	Our Group complied with such applicable requirement for the year ended 31 December 2018.

Future Plan and Prospects

We will keep strengthening our core competitive strengths and enable us to capture rising business opportunities by following strategies:

- The first phase project for upgrading our production capacity is expected to be completed in the first half of 2019. We will continue to increase our production capacity to meet rising customer demand by upgrading the production capacity of our plant in Yixing city.

- We have been working on a new series of products in 2018, the production of which will be initiated in mid-2019. We will continue to expand our product mix to create new market opportunities while continuing to enhance the quality of our existing products and technologies.

- During the Reporting Period, we have successfully become a qualified regular supplier of several large-scale private oil refineries in China, and we will continue to expand our customer base to diversify our revenue sources by reaching out to non-state-owned oil refineries and potential customers overseas.

- During the Reporting Period, we have been working on producing a key raw material and its first phase production facilities are expected to be put in use in the first half of 2019. After that, we will observe the market situations and add to the production capacity at the right time.

- During the Reporting Period, based on the achievements of our research and development, we applied for a number of new patents which are now under assessment by the authorities. We will continue enhancing our research and development capabilities to develop innovative, high-quality oil refining agents and fuel additives.

Financial Overview

Revenue

Our revenue decreased by 5.2% from RMB186.8 million for the year ended 31 December 2017 to RMB177.1 million for the year ended 31 December 2018. The following table sets forth our revenue by products for the years indicated:

	For year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Oil refining agents	**104,248**	130,773
Fuel additives	**72,871**	56,050
Total revenue	**177,119**	186,823

Revenue derived from oil refining agents decreased from RMB130.8 million for the year ended 31 December 2017 to RMB104.2 million for the year ended 31 December 2018 mainly due to the decrease of consumption as a result of the downtime for the overhaul of the customer in Sudan and some of the customers from Sinopec. Revenue derived from fuel additives increased from RMB56.1 million for the year ended 31 December 2017 to RMB72.9 million for the year ended 31 December 2018 mainly due to the increase of sales volume for our fuel additives which is in line with rising customer demand.

We sold the majority of our products to customers in China. The following table sets forth our revenue by geography for the years indicated:

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
China	**171,332**	163,300
Sudan	**4,898**	21,060
Others[(1)]	**889**	2,463
Total revenue	**177,119**	186,823

Note:

(1) Other countries and regions in which we had sales for the year ended 31 December 2017 and 2018 included Chad, Algeria and Niger in Africa. We sell our products to certain of our customers in these countries and regions through their designated agents.

Revenue derived from the PRC market increased from RMB163.3 million for the year ended 31 December 2017 to RMB171.3 million for the year ended 31 December 2018 mainly due to the increasing demand of domestic customers. Revenue derived from the Sudan market decreased from RMB21.1 million for the year ended 31 December 2017 to RMB4.9 million for the year ended 31 December 2018 mainly due to the decrease of consumption for our refining agents as a result of the downtime for the overhaul of our major customer in Sudan in 2018.

Cost of sales

Our cost of sales increased from RMB117.7 million for the year ended 31 December 2017 to RMB123.9 million for the year ended 31 December 2018. The following table sets forth our cost of sales by products for the years indicated:

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Oil refining agents	**76,286**	82,509
Fuel additives	**47,658**	35,156
Total cost of sales	**123,944**	117,665

The cost of sales of oil refining agents decreased from RMB82.5 million for the year ended 31 December 2017 to RMB76.3 million for year ended 31 December 2018 mainly due to the decrease of sales volumes of our oil refining agents. The cost of sales of fuel additives increased from RMB35.2 million for the year ended 31 December 2017 to RMB47.7 million for the year ended 31 December 2018 mainly due to the increase of sales volumes for our fuel additives which is in line with rising customer demand.

Profit from operations

Our profit from operations decreased from RMB32.6 million for the year ended 31 December 2017 to RMB26.3 million for the year ended 31 December 2018 mainly due to the decrease in gross profit of our oil refining agents as a result of down time of the overhaul of our major customer in Sudan in 2018. The following table sets forth the profit from operations for the years indicated:

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Gross profit	**53,175**	69,158
Other income	**6,042**	846
Sales and marketing expenses	**(7,621)**	(7,547)
General and administrative expenses	**(17,569)**	(21,900)
Research and development expenses	**(7,751)**	(7,941)
Profit from operations	**26,276**	32,616

Gross profit

For the year ended 31 December 2017 and 2018, our gross profit amounted to RMB69.2 million and RMB53.2 million, respectively. Our gross profit margin was 37.0% and 30.0%, respectively, for the same periods. The table below sets forth our gross profit by product for the years indicated:

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Oil refining agents	**27,962**	48,264
Fuel additives	**25,213**	20,894
Total gross profit	**53,175**	69,158

Our gross profit for oil refining agents decreased by 42.0% from RMB48.3 million for the year ended 31 December 2017 to RMB28.0 million for the year ended 31 December 2018 mainly due to the decrease of the consumption as a result of the concentrated overhaul of the customers from Sinopec and Sudan for the year ended 31 December 2018. Our gross profit for fuel additives increased by 20.6% from RMB20.9 million for the year ended 31 December 2017 to RMB25.2 million for the year ended 31 December 2018 mainly due to the increase of the sales volumes for our fuel additives which is in line with rising customer demand.

Other income

Our other income increased from RMB0.8 million for the year ended 31 December 2017 to RMB6.0 million for the year ended 31 December 2018 mainly due to the increase of government grants and interest income from bank deposits.

Sale and marketing expenses

Our sale and marketing expenses remained stable at RMB7.5 million for the year ended 31 December 2017 and RMB7.6 million for the year ended 31 December 2018.

General and administrative expenses

Our general and administrative expenses mainly include the professional service fees in relation to the Listing, the labor and welfare cost, taxes, depreciation and amortization, travel expenses, office and vehicles expenses and hospitality and entertainment costs.

Our general and administrative expenses decreased from RMB21.9 million for the year ended 31 December 2017 to RMB17.6 million for the year ended 31 December 2018 mainly due to the decrease of the Listing expenses.

Research and development expenses

Our research and development expenses remained stable at RMB7.9 million for the year ended 31 December 2017 and RMB7.8 million for the year ended 31 December 2018. Such expenses consisted primarily of the labor and welfare cost, raw material costs and depreciation of machinery, equipment and analytical instruments.

Income tax expense

Our income tax expense for the year ended 31 December 2017 and 2018 was RMB4.9 million and RMB3.0 million, respectively. We are entitled to preferential income tax rate of 15% since we are qualified as "High and New Technology Enterprise". For the year ended 31 December 2017 and 2018, our effective tax rate for the same periods were 15.3% and 11.4%, respectively.

Profit for the year

As a result of the foregoing, our profit decreased by 16.1% from RMB27.4 million for the year ended 31 December 2017 to RMB23.0 million for the year ended 31 December 2018 mainly due to decrease in sales to our major customer in Sudan as a result of downtime for overhaul of this customer in 2018. Our gearing ratio which is calculated by total borrowings divided by total assets was 11.5% as of 31 December 2017 and nil as of 31 December 2018.

Liquidity, Financial Resources and Capital Structure

We monitor our cash flows and cash balance on a regular basis and strive to maintain an optimal liquidity that can meet our working capital needs.

The Shares became listed on the Main Board of the Stock Exchange on 28 March 2018 with net proceeds from the Share Offer of approximately HK$110.7 million (after deducting underwriting commissions and other estimated expenses in connection with the Share Offer).

We financed our operations primarily by existing cash and cash equivalents, net proceeds from the Share Offer and cash flows from operations. Taking into account the financial resources available to us, the Directors believe that our current cash and cash equivalents, together with available credit facilities and expected cash flows from operations, will be sufficient to satisfy our current requirements and able to fulfill our business obligations.

Cash flows

The following table sets forth a selected summary of our consolidated cash flow statement for the periods indicated:

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Net cash from operating activities	**8,138**	19,316
Net cash (used in)/from investing activities	**(12,777)**	20,483
Net cash from/(used in) financing activities	**90,033**	(16,214)
Net increase in cash and cash equivalents	**85,394**	23,585
Effect of foreign exchange rate changes	**323**	16
Cash and cash equivalents at beginning of the year	**25,973**	2,372
Cash and cash equivalents at end of the year	**111,690**	25,973

Net cash flows from operating activities

We derive our cash generated from operating activities principally from payments for the sales of our products. Our cash used in operating activities is principally for purchases of raw materials and distributable products.

For the year ended 31 December 2018, our net cash generated from operating activities was RMB8.1 million, primarily reflecting: (i) our profit before tax adjusted for depreciation, interest income from bank deposits, reversal of write-down of inventories, as well as amortization of lease prepayment; and (ii) the effects of changes in working capital.

Net cash flows from/(used in) investing activities

Our cash generated from investing activities is principally from the proceeds from disposal of available-for-sale financial assets. Our cash used in investing activities is principally for the payment for investment in property, plant and equipment.

For the year ended 31 December 2018, our net cash used in investing activities was RMB12.8 million, which was primarily attributable to: (i) interest received of RMB1.9 million; and (ii) payment for purchase of property, plant and equipment of RMB14.7 million.

Net cash (used in)/from financing activities

Our cash generated from financing activities is from the net proceeds from the Share Offer. Our cash used in financing activities mainly consist of repayment of a bank loan.

For the year ended 31 December 2018, our net cash from financing activities was RMB90.0 million. Our net cash inflow from financing activities was primarily net proceeds from the Share Offer of RMB108.4 million, which was offset by repayment of bank loan of RMB18.0 million.

Selected Items of the Consolidated Statements of Financial Position

The following table sets forth the selected items of the consolidated statements of financial position as of the dates indicated:

	As of 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current assets		
Inventories	**24,622**	15,746
Trade and other receivables	**96,413**	91,954
Cash and cash equivalents	**111,690**	25,973
Total current assets	**232,725**	133,673
Current liabilities		
Bank loan	**—**	18,000
Trade and other payables	**20,883**	27,839
Contract liabilities	**492**	—
Income tax payable	**5,033**	4,038
Total current liabilities	**26,408**	49,877
Net current assets	**206,317**	83,796

Our current assets increased from RMB133.7 million as of 31 December 2017 to RMB232.7 million as of 31 December 2018 mainly due to the net proceeds from the Share Offer. Our current liabilities decreased from RMB49.9 million as of 31 December 2017 to RMB26.4 million as of 31 December 2018 mainly due to the repayment of the bank loan.

Inventories

Our inventories consist of raw materials, works in progress, finished goods and consignment goods. Our inventories increased from RMB15.7 million as of 31 December 2017 to RMB24.6 million as of 31 December 2018 mainly because we purchased more raw materials for a large order which will be delivered early next year. The following table sets forth our inventories as of the dates indicated:

	As of 31 December	
	2018	2017
	RMB'000	*RMB'000*
Raw materials	**19,280**	11,012
Works in progress	**737**	349
Finished goods	**4,061**	4,206
Consignment goods	**544**	179
Total	**24,622**	15,746

Our raw materials increased from RMB11.0 million as of 31 December 2017 to RMB19.3 million as of 31 December 2018 mainly because we purchased more raw materials for a large order which will be delivered early next year.

Our finished goods remained stable at RMB4.2 million as of 31 December 2017 to RMB4.1 million as of 31 December 2018.

Our average turnover days of inventories is calculated by average inventories divided by cost of sales for the year and multiplied by 365. The average inventories is calculated as inventories at the beginning of the year plus inventories at the end of the year, divided by two. For the year ended 31 December 2017 and 2018, our average turnover days of inventories was 51 days and 59 days, respectively, primarily because we kept more inventory at the end of 2018 as preparation for a large order delivered in January 2019.

Bank loan

On 9 May 2018, the one-year bank loan of RMB18.0 million with annual interest rate of 4.8% as of 31 December 2017 was repaid by our Group.

Trade and other receivables

Our trade receivables primarily represent the credit sales of our products to be paid by our customers. Our bills receivables represent short-term bank acceptance notes receivable that entitle our Group to receive the full face amount from banks at maturity, which generally ranges from three to six months from the date of issuance. The following table sets forth our trade and other receivables as of the dates indicated:

	As of 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables, net of loss allowance	**81,702**	79,831
Bills receivables	**7,495**	3,550
Total Trade and bills receivables	**89,197**	83,381
Other receivables	**5,530**	3,591
Deposits and prepayments	**1,686**	4,982
Total Trade and other receivables, net	**96,413**	91,954

Our total trade and bill receivables increased from RMB83.4 million as of 31 December 2017 to RMB89.2 million as of 31 December 2018 mainly due to the increase in the bills receivables.

The following table sets forth the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, as of the dates indicated:

	As of 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**65,485**	41,781
After 3 months but within 6 months	**5,323**	27,725
After 6 months but within 1 year	**4,673**	9,967
After 1 year but within 2 years	**6,221**	350
After 2 years	**—**	8
Trade receivables, net of loss allowance	**81,702**	79,831

Credit periods and trade receivables

We set credit periods ranging from 30 to 120 days for our PRC customers, calculated from the dates that our invoices are issued. As most of our customers are affiliates of the three state-owned conglomerates, they generally have longer payment periods, which our Directors believe is due to longer internal approval processes. We employ a favorable credit policy towards our customers due to their scale and financial strength. We did not have any material bad debts during the Reporting Period.

To manage our credit risk, we have a credit policy in place and the exposures to our credit risks are monitored on an ongoing basis. Our senior management team will perform individual credit evaluations on all customers, taking into account information specific to the customer and the economic environment in which the customer operates.

Trade and other payables

Our trade and other payables primarily consist of trade payables from purchases of raw materials from our suppliers, other payables and accruals. Our other payables and accruals mainly include salary payments, payments for social insurance and housing provident funds, payments for tax and payments to third-party logistics providers. The following table sets forth our trade and other payables as of the dates indicated:

	As of 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables	**5,373**	9,171
Other payables and accruals	**15,510**	18,668
Total Trade and other payables	**20,883**	27,839

Our trade and other payables decreased from RMB27.8 million as of 31 December 2017 to RMB20.9 million as of 31 December 2018 mainly due to the settlement of trade payables and Listing expenses. All trade payables are expected to be settled within one year.

The following table sets forth the ageing analysis of trade payables as of the dates indicated:

	As of 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**5,202**	7,401
After 3 months but within 6 months	**106**	1,251
After 6 months but within 1 year	**53**	163
After 1 year but within 2 years	**10**	356
After 2 years but within 3 years	**2**	—
Total trade payables	**5,373**	9,171

Contingent liabilities

On 11 July 2018, we received a cautionary letter dated 29 June 2018 ("**Cautionary Letter**") issued by the U.S. Department of the Treasury's Office of Foreign Assets Control ("**OFAC**"). It states that OFAC decided to address the matter raised in the voluntary self-disclosure, which was submitted by the Company in light of the potential violations on 19 September 2017, by issuing the Cautionary Letter to give us a cautionary reminder instead of pursuing a civil monetary penalty. For more details, please refer to the announcement of the Company dated 13 July 2018. As of 31 December 2018, we had no contingent liabilities.

Capital Expenditures and Commitment

For the year ended 31 December 2018, our capital expenditures were spent on upgrading production capacity and oleic acid projects. The following table sets forth our capital expenditures for the years indicated:

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Purchase of property, plant and equipment	**14,692**	400
Total capital expenditures	**14,692**	400

The following table sets forth our capital commitments not provided for in the financial statements as of the dates indicated:

	As of 31 December	
	2018	2017
	RMB'000	*RMB'000*
Contracted for	**1,875**	—
Authorised but not contracted for	**—**	—
	1,875	—

Save as disclosed above, we did not have any significant capital commitment as of 31 December 2018.

Off-balance Sheet Arrangements

As of 31 December 2018, we did not have any off-balance sheet arrangements.

Foreign Currency Exposure

Our Group does not use any derivative financial instruments to hedge the risk of exchange rate changes for the year ended 31 December 2018.

Key Financial Ratios

The following tables set forth certain key financial ratios as of the dates or for the years indicated:

	As of 31 December	
	2018	2017
Return on equity[(1)]	**13.1%**	26.4%
Return on assets[(2)]	**10.7%**	18.2%
Current ratio[(3)]	**8.8**	2.7
Quick ratio[(4)]	**7.9**	2.4
Gross profit margin	**30.0%**	37.0%
Net profit margin	**13.0%**	14.7%

Notes:

(1) Return on equity represents profit for the year divided by average equity, calculated as equity at the beginning of the year plus equity at the end of the year, divided by two.

(2) Return on assets represents profit for the year divided by average assets, calculated as assets at the beginning of the year plus assets at the end of the year, divided by two.

(3) Current ratio represents total current assets divided by total current liabilities as of the relevant year end.

(4) Quick ratio represents total current assets less inventories divided by total current liabilities as of the relevant year end.

Return on equity

Our return on equity reflecting our financial performance decreased from 26.4% as of 31 December 2017 to 13.1% as of 31 December 2018 primarily because of (i) the increase of our total equity as a result of Share Offer; and (ii) a decrease of 16.1% in net profit for the same period.

Return on assets

Our return on assets reflecting our profitability decreased from 18.2% as of 31 December 2017 to 10.7% as of 31 December 2018 primarily because our total assets increased by 72.4% as a result of Share Offer.

Current ratio

Our current ratio increased from 2.7 as of 31 December 2017 to 8.8 as of 31 December 2018 primarily because of the increase of cash and cash equivalents as a result of Share Offer. It reflected our ability to pay our obligations which are due within one year.

Quick ratio

Our quick ratio reflecting our liquidity increased from 2.4 as of 31 December 2017 to 7.9 as of 31 December 2018 primarily because of the increase of cash and cash equivalents as a result of Share Offer.

MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2018, there were no material investments, acquisitions and disposals. Other than bank loans and repurchase financing which we may consider, we do not expect to have any plan for material investment and sources of founding in the short time.

USE OF PROCEEDS FROM THE SHARE OFFER

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date with net proceeds received by the Company from the Share Offer of approximately HK$110.7 million (after deducting underwriting commissions and other estimated expenses in connection with the Share Offer). The net proceeds received from the Share Offer will be used in a manner consistent with that disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 19 March 2018.

Since the Listing Date and up to the date of this announcement, the remaining balance of the net proceeds was approximately HK$79.0 million, which will be used up within 36 months. The details of the utilization and remaining balance of the net proceeds are set out below:

Purposes	**Allocation (on a pro-rata basis)**	**Amount utilized as of 31 December 2018**	**The remaining balance as of 31 December 2018**
To upgrade our Yixing plant by purchasing new sets of machinery, equipment and analytical instruments	Approximately HK$42.8 million (approximately 39%)	Approximately HK$2.6 million	Approximately HK$40.2 million
To build production facilities for the manufacturing of lower-cost raw material substitute, high-purity oleic acid, for the production of lubricity improvers	Approximately HK$53.9 million (approximately 49%)	Approximately HK$15.1 million	Approximately HK$38.8 million
General business operations and working capital	Approximately HK$8.8 million (approximately 8%)	Approximately HK$8.8 million	—
To repay bank borrowings	Approximately HK$5.2 million	Approximately HK$5.2 million	—
Total	Approximately HK$110.7 million	Approximately HK$31.7 million	Approximately HK$79.0 million

SHARE OPTION SCHEME

The share option scheme was adopted by the Company and approved by shareholders of the Company on 11 March 2018 (the "**Share Option Scheme**"). The purpose of the Share Option Scheme is to motivate the relevant participants to optimize their future contributions to our Group, to reward them for their past contributions, and to attract and retain or otherwise maintain ongoing relationships with such participants who are significant to and whose contributions are or will be beneficial to the performance, growth or success of our Group. Eligible participants of the Share Option Scheme include any employees, any Directors (including independent non-executive Directors), advisors, shareholders, suppliers, customers and consultants of our Group. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on 11 March 2018 and will expire on 10 March 2028. Further details of the Share Option Scheme are set out in the section headed "Statutory and General Information – Share Option Scheme" in Appendix V to the prospectus of the Company dated 19 March 2018.

No share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption. As of 31 December 2018, the Company has no outstanding share option under the Share Option Scheme.

EMPLOYMENT AND EMOLUMENTS

As of 31 December 2018, our Group had 72 employees. All of our employees are based in China. Our employees' remuneration has been paid in accordance with relevant laws and regulations in the PRC. Appropriate salaries and bonuses were paid with reference to the actual practices of the Company. Other corresponding benefits included pension scheme, unemployment insurance and housing allowance, etc.

CORPORATE GOVERNANCE

Our Group is committed to maintaining high standards of corporate governance to protect the interest of our shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. For the year ended 31 December 2018, the Company has complied with the CG Code except for the following deviation from provision A.2.1 of the CG Code which is explained below:

According to provision A.2.1 of the CG Code the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ge Xiaojun ("**Mr. Ge**") is the chairman of the Board and the chief executive officer of the Company. The Board is of the view that vesting the roles of both chairman and chief executive officer in Mr. Ge has the benefit of providing consistent and continuous planning and execution of our Group's strategies. The Board also believes that the current arrangement is in the interest of our Group and our shareholders as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its rules governing dealings by the Directors in the listed securities of the Company. From the Listing Date to the date of this announcement, having made specific enquiry to all Directors, all Directors have confirmed that they have fully complied with the required standards set out in the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

From the Listing Date to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

The Board proposed a final dividend of HK$0.01 per Share for the year ended 31 December 2018.

Save as disclosed in note 17 to the consolidated financial statements of this Annual Results, there are no significant subsequent events after the Reporting Period.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.01 per share for the year ended 31 December 2018 to shareholders whose names appear on the Company's register of members on Monday, 10 June 2019 (the "**Proposed Final Dividend**"). Subject to the approval of the shareholders at the Company's forthcoming annual general meeting to be held on Wednesday, 29 May 2019 (the "**AGM**"), the Proposed Final Dividend is expected to be paid on or around Tuesday, 25 June 2019.

AGM

The AGM will be held at the Company's headquarters and principal place of business in the PRC, No. 16 West Kaixuan Road, Economic Development Zone, Yixing, Jiangsu, the PRC on Wednesday, 29 May 2019. Notice of the AGM will be issued and disseminated by the Company to shareholders in due course.

CLOSURE OF REGISTER OF MEMEBERS

In order to ascertain shareholder's entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 24 May 2019 to Wednesday, 29 May 2019, both days inclusive, during which period no transfers of shares of the Company will be registered. In order to qualify for attending and voting at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 23 May 2019.

For the purpose of determining the entitlement to the Proposed Final Dividend, the register of members of the Company will be closed from Wednesday, 5 June 2019 to Monday, 10 June 2019, both days inclusive, during which period no transfers of shares of the Company will be registered. In order to be entitled to the Proposed Final Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 4 June 2019.

AUDIT COMMITTEE AND REVIEW OF THE ANNUAL RESULTS

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Company, auditing, internal controls and financial report matters, and the Company's policies and practices on corporate governance. The Annual Results has been reviewed and confirmed by the Audit Committee. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

The financial figures in respect of our Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated cash flow statement and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary result announcement have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in our Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The Annual Results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jscxsh.cn). The annual report for the year ended 31 December 2018 will be dispatched to shareholders of the Company and available on the same websites in due course.

By Order of the Board
Jiangsu Innovative Ecological New Materials Limited
Ge Xiaojun
Chairman and Chief Executive Officer

Hong Kong, 29 March 2019

As at the date of this announcement, the executive Directors are Mr. Ge Xiaojun, Ms. Gu Jufang, Mr. Huang Lei, Mr. Jiang Caijun and Mr. Fan Yaqiang; the non-executive Director is Mr. Gu Yao; and the independent non-executive Directors are Mr. Fan Peng, Mr. Guan Dongtao and Ms. Wu Yan.