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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 2021

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 2021 (the “**Reporting Period**”), together with comparative figures for the corresponding period in 2020. The Board and the audit committee of the Company (the “**Audit Committee**”) have reviewed and confirmed the Annual Results.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*for the year ended 31 December 2021**(Expressed in Renminbi (RMB) Yuan)*

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
Revenue	2	177,330	159,934
Cost of sales		(140,839)	(115,021)
Gross profit		36,491	44,913
Other income	3	4,331	4,376
Sales and marketing expenses		(9,530)	(8,377)
General and administrative expenses		(10,659)	(10,106)
Research and development expenses	4(c)	(7,715)	(7,530)
Profit from operations		12,918	23,276
Finance costs	4(a)	(17)	(53)
Profit before taxation	4	12,901	23,223
Income tax	5	(1,243)	(1,171)
Profit for the year		11,658	22,052
Earnings per share	6		
Basic and diluted (<i>RMB cents</i>)		2.43	4.59

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021
(Expressed in Renminbi (RMB) Yuan)

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit for the year	11,658	22,052
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	(2,773)	(6,538)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside mainland China	<u>1,513</u>	<u>3,400</u>
Other comprehensive income for the year	<u>(1,260)</u>	<u>(3,138)</u>
Total comprehensive income for the year	<u><u>10,398</u></u>	<u><u>18,914</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021

(Expressed in Renminbi (RMB) Yuan)

	Note	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	7	40,065	44,445
Right-of-use assets		3,104	3,204
Deferred tax assets	10(b)	543	308
		<u>43,712</u>	<u>47,957</u>
Current assets			
Inventories		36,269	27,095
Trade and other receivables	8	78,372	81,070
Prepayments		4,932	4,723
Cash and cash equivalents		152,059	144,762
		<u>271,632</u>	<u>257,650</u>
Current liabilities			
Trade and other payables	9	20,588	16,176
Contract liabilities		–	396
Income tax payable	10(a)	3,089	3,492
		<u>23,677</u>	<u>20,064</u>
Net current assets		<u>247,955</u>	<u>237,586</u>
Total assets less current liabilities		<u>291,667</u>	<u>285,543</u>
Non-current liabilities			
Deferred tax liabilities	10(b)	2,175	2,423
		<u>2,175</u>	<u>2,423</u>
NET ASSETS		<u>289,492</u>	<u>283,120</u>
CAPITAL AND RESERVES			
Share capital	11	3,873	3,873
Reserves	11	285,619	279,247
TOTAL EQUITY		<u>289,492</u>	<u>283,120</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi (**RMB**) 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 disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to 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 the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

Jiangsu Innovative Ecological New Materials Limited (“**the Company**”) 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. The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 28 March 2018 (the “**Listing**”). The Group is principally engaged in the development, manufacture and sale of oil refining agents and fuel additives that are applied to reduce undesirable emissions.

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the “**Group**”).

(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.

(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 the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendment to HKFRS 16, Covid-19-related rent concessions
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – phase 2

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The 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*

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of oil refining agents	92,462	91,745
Sales of fuel additives	84,868	68,189
	<hr/>	<hr/>
Total	177,330	159,934
	<hr/> <hr/>	<hr/> <hr/>

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

The Group's customer base included one customer with which transactions had exceeded 10 percent of the Group's revenues for the year ended 31 December 2021 presented as below:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Customer A	20,553	16,383
	<hr/> <hr/>	<hr/> <hr/>

(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 right-of-use assets. During the year ended 31 December 2021, substantially all specified non-current assets were physically located in the People's Republic of China (the "PRC").

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Mainland China	170,768	149,259
Sudan	6,562	9,644
Other countries and regions	—	1,031
Total	<u>177,330</u>	<u>159,934</u>

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

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for oil refining agents and fuel additives such that the 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 and fuel additives 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 most senior executive management 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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Service income	654	44
Government grants	501	610
Net foreign exchange loss	(26)	(57)
Interest income on financial assets measured at amortised cost	3,031	2,848
Scrap sales	171	1,144
Net loss on disposal of property, plant and equipment	—	(125)
Others	—	(88)
Total	<u>4,331</u>	<u>4,376</u>

4 PROFIT BEFORE TAXATION

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

(a) **Finance costs**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on other borrowings	<u>17</u>	<u>53</u>

(b) **Staff costs**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Salaries, wages and other benefits	6,935	6,749
Contributions to defined contribution retirement plans (i)	<u>328</u>	<u>28</u>
	<u>7,263</u>	<u>6,777</u>

- (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. The 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.

The 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**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of inventories (i)	145,704	119,647
Depreciation of property, plant and equipment	4,616	4,389
Depreciation of right-of-use assets	100	100
Impairment losses of trade receivables recognised/(reversed)	513	(1)
Auditors' remuneration		
– audit services	1,265	1,265
– tax services	<u>13</u>	<u>14</u>
	<u>1,278</u>	<u>1,279</u>

- (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.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Staff costs	1,960	1,910
Depreciation and amortization	2,276	2,240
Research and development expenses	4,865	4,626

5 INCOME TAX

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax:		
Provision for current income tax for the year (<i>note 10(a)</i>)	1,746	3,313
Over-provision in prior years (<i>note 10(a)</i>)	(20)	(309)
	<u>1,726</u>	<u>3,004</u>
Deferred tax:		
Reversal and origination of temporary differences (<i>note 10(b)</i>)	(483)	(254)
Effect on deferred tax balances at 1 January resulting from a change in tax rate (<i>note 10(b)</i>)	–	(1,579)
	<u>1,243</u>	<u>1,171</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before taxation	<u>12,901</u>	<u>23,223</u>
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned (i)	3,482	6,184
Tax effect of preferential tax rate (ii)	(1,395)	(2,476)
Over-provision in prior years	(20)	(309)
Tax effect of non-deductible expenses	152	58
Tax losses not recognized	5	6
Additional deduction for qualified research and development costs (iii)	(981)	(713)
Effect on deferred tax balances at 1 January resulting from a change in tax rate (<i>note 10(b)</i>)	–	(1,579)
Actual income tax expense	<u>1,243</u>	<u>1,171</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the 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 and renewed the qualification of High and New Technology Enterprise in 2016 with another effective period of three years from 2016 to 2018. In 2019, as the renewal of the High and New Technology Enterprise qualification was not approved, Jiangsu Chuangxin was subject to the statutory corporate income tax rate of 25%.

Jiangsu Chuangxin has renewed the qualification of High and New Technology Enterprise on 2 December 2020 with an effective period of three years from 2020 to 2022, and therefore it was entitled to the preferential income tax rate of 15%.

- (iii) 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 RMB11,658,000 (2020: RMB22,052,000) and 480,000,000 ordinary shares (2020: 480,000,000 ordinary shares) in issue during the year, calculated as follows:

(i) **Weighted average number of ordinary shares**

	2021	2020
Shares in issue on 1 January	<u>480,000,000</u>	<u>480,000,000</u>
Weighted average number of ordinary shares	<u><u>480,000,000</u></u>	<u><u>480,000,000</u></u>

There were no dilutive potential ordinary shares for the years ended 31 December 2021 and 2020; therefore, diluted earnings per share are equivalent to basic earnings per share.

7 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Office and other equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in process <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:						
At 1 January 2020	28,250	36,438	5,598	12,864	2,521	85,671
Additions	–	329	262	564	3,935	5,090
Transfer from construction in progress	873	356	–	–	(1,229)	–
Disposals	–	–	–	(6,330)	–	(6,330)
At 31 December 2020 and 1 January 2021	<u>29,123</u>	<u>37,123</u>	<u>5,860</u>	<u>7,098</u>	<u>5,227</u>	<u>84,431</u>
Additions	–	210	25	–	1	236
Transfer from construction in progress	2,769	2,459	–	–	(5,228)	–
At 31 December 2021	<u>31,892</u>	<u>39,792</u>	<u>5,885</u>	<u>7,098</u>	<u>–</u>	<u>84,667</u>
Accumulated depreciation:						
At 1 January 2020	(14,251)	(11,580)	(3,924)	(11,847)	–	(41,602)
Charge for the year	(1,266)	(2,523)	(396)	(204)	–	(4,389)
Written back on disposals	–	–	–	6,005	–	6,005
At 31 December 2020 and 1 January 2021	<u>(15,517)</u>	<u>(14,103)</u>	<u>(4,320)</u>	<u>(6,046)</u>	<u>–</u>	<u>(39,986)</u>
Charge for the year	(1,408)	(2,545)	(398)	(265)	–	(4,616)
At 31 December 2021	<u>(16,925)</u>	<u>(16,648)</u>	<u>(4,718)</u>	<u>(6,311)</u>	<u>–</u>	<u>(44,602)</u>
Net book value:						
At 31 December 2021	<u>14,967</u>	<u>23,144</u>	<u>1,167</u>	<u>787</u>	<u>–</u>	<u>40,065</u>
At 31 December 2020	<u>13,606</u>	<u>23,020</u>	<u>1,540</u>	<u>1,052</u>	<u>5,227</u>	<u>44,445</u>

8 TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables, net of loss allowance (<i>note (a)</i>)	61,665	66,079
Bills receivables (<i>note (b)</i>)	10,746	9,786
Other receivables	5,961	5,205
	<hr/>	<hr/>
Financial assets measured at amortised cost	78,372	81,070
	<hr/>	<hr/>
Trade and other receivables, net	<u>78,372</u>	<u>81,070</u>

All of the trade and other receivables 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	50,106	48,937
After 3 months but within 6 months	3,090	14,412
After 6 months but within 1 year	7,437	1,920
After 1 year but within 2 years	1,032	314
After 2 years but within 3 years	–	496
	<hr/>	<hr/>
Trade receivables, net of loss allowance	<u>61,665</u>	<u>66,079</u>

(b) Bills receivables

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

During the years ended 31 December 2021 and 2020, the Group endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a fully recourse basis. The 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, the Group had transferred substantially all the risks and rewards of ownership of these bills to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The 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 2021, 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 RMB1,618,500 (2020: RMB1,797,000).

9 TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables (<i>note (a)</i>)	9,223	2,208
Other payables and accruals	11,365	13,968
	<hr/>	<hr/>
Trade and other payables	<u>20,588</u>	<u>16,176</u>

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	9,103	1,790
Over 3 months but within 6 months	120	240
Over 6 months but within 1 year	–	178
Over 1 year but within 2 years	–	–
	<hr/>	<hr/>
Trade payables	<u>9,223</u>	<u>2,208</u>

10 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Balance at 1 January	3,492	3,699
Provision for current income tax for the year (<i>note 5(a)</i>)	1,746	3,313
Over-provision in prior years (<i>note 5(a)</i>)	(20)	(309)
Payment made during the year	(2,129)	(3,211)
	<hr/>	<hr/>
Balance at 31 December	<u>3,089</u>	<u>3,492</u>

(b) Deferred tax assets and deferred tax liabilities recognised:

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

Deferred tax arising from:	Credit loss allowance <i>RMB'000</i>	Inventory provision <i>RMB'000</i>	Accrued expenses and other payables <i>RMB'000</i>	Lump-sum pre-tax deduction of property, plant and equipment <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 1 January 2020	6	19	478	(4,451)	(3,948)
Effect on deferred tax balances resulting from a change in tax rate <i>(note 5(a))</i>	(2)	(8)	(191)	1,780	1,579
Charged to profit or loss <i>(note 5(a))</i>	–	6	–	248	254
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020 and 1 January 2021	4	17	287	(2,423)	(2,115)
Charged to profit or loss <i>(note 5(a))</i>	76	(6)	165	248	483
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021	<u>80</u>	<u>11</u>	<u>452</u>	<u>(2,175)</u>	<u>(1,632)</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statements of financial position	543	308
Net deferred tax liabilities recognised in the consolidated statements of financial position	<u>(2,175)</u>	<u>(2,423)</u>
	<u>(1,632)</u>	<u>(2,115)</u>

(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. The Group has not recognised deferred tax liabilities as at 31 December 2021 in respect of undistributed earnings of RMB92,508,000 (2020: RMB81,076,000) 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.

11 CAPITAL AND RESERVES

(a) Dividends

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Final dividend proposed after the end of the reporting period of Hong Kong Dollar (“HK\$”) 0.01 per ordinary share (2020: HK\$0.01 per ordinary share)	<u>3,874</u>	<u>4,026</u>

The final dividend proposed after the end of the Reporting Period has not been recognised as a liability at the end of the reporting period.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.01 per share (2020: HK\$0.01 per share)	<u>4,026</u>	<u>4,330</u>

(b) Share capital

(i) Authorized and issued share capital

	Par value <i>HK\$</i>	No. of shares <i>'000</i>	HK\$ <i>'000</i>
Ordinary shares, issued and fully paid			
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u>0.01</u>	<u>480,000</u>	<u>4,800</u>
RMB equivalent (<i>'000</i>)			<u>3,873</u>

(c) Share premium

Share premium 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.

12 COMMITMENT

Capital commitments outstanding at 31 December 2021 not provided for in the financial statements were as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Contracted for	–	1,616
Authorised but not contracted for	–	–
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>1,616</u>

13 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 11(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 of Hong Kong Limited (the “**Stock Exchange**”) on 28 March 2018 (the “**Listing Date**”) and the completion of the share offer in connection therewith (the “**Share Offer**”) took place on the same day.

Industry Overview

The oil-refining industry of the People’s Republic of China (the “**PRC**”) has recovered from the impact of the COVID-19 Pandemic and resumed its upward trend. The landmark event is that the annual volume of crude oil processed in China exceeded the 700 million ton mark for the first time in 2021, indicating an increase of about 4.3% year-on-year. Oil-refining enterprises in the PRC are enlarging their scale and raising their processing capacity. In recent years, in addition to some ultra-large non-state-owned refineries, such as Hengli Petrochemical Co., Ltd.* (恆力石化股份有限公司), Zhejiang Petroleum & Chemical Co., Ltd.* (浙江石油化工有限公司) and Shenghong Petrochemical Group Co., Ltd.* (盛虹石化集團有限公司), a few ultra-large state-owned refining projects are also under construction, such as the Refining-Chemical Integrated Project of CNPC Guangdong Company* (中石油廣東石化煉化一體化項目), which will start operation in 2022, processing 20 million tons of crude oil per year. During the PRC’s 14th Five-Year Plan (2021-2025), more large-scale refining-chemical integrated projects will be completed in the PRC and put into operation. According to a forecast, the PRC’s oil-refining capacity is likely to reach 980 million tons by the end of 2025, by which time China may become the world’s largest oil refining country.

The Standard B of the “China VI” Fuel Quality Standard* (第六階段車用汽油國家標準) promulgated by the government of the PRC will be fully implemented from 1 July 2023, and in fact, many provinces and cities have already implemented it in advance. Further, Beijing has implemented an even higher standard named “Jing VI-B” in December 2021, which indicates that the PRC will not stop raising the quality standard of auto fuel after the full implementation of the Standard B of the “China VI” in 2023. At the same time, we have noticed that some countries in Southeast Asia, such as Vietnam, are also quickly raising the quality standard of auto fuel in recent years.

With the growth of crude oil processing volume and the improvement of fuel standards, the demands for oil-refining agents and fuel additives in China and from neighboring countries will continue to have a firm boost.

Business Overview

In the year ended 31 December 2021, continued a good cooperation with our existing long-term customers, including China Petrochemical Corporation* (中國石油化工集團公司) (“Sinopec”), China National Petroleum Corporation* (中國石油天然氣集團公司) (“CNPC”), China National Offshore Oil Corporation* (中國海洋石油集團有限公司) (“CNOOC”) and several non-state-owned ultra-large refining & chemical enterprises. We maintained our leading positions in most of the biddings invited by these long-term customers. At the same time, we had more outcomes from our customer diversification strategy. Through active participation in procurement tenders and cooperation with competent international traders, we have successfully secured a number of new domestic and overseas long-term customers, including almost all major Chinese refiners that have started or will start operation in recent years, laying a good foundation for the sales growth of our group.

For the year ended 31 December 2021, we recorded a total revenue of RMB177.3 million, which means a growth of about 10.9% compared to that of the year ended 31 December 2020. The total revenue of 2021 has already exceeded the level of 2018 and 2019, which was before the outbreak of the COVID-19 pandemic.

The worldwide production capacity and consumer demands, which were suppressed by the COVID-19 Pandemic in 2020, rebounded in 2021 and caused worldwide inflation, resulting in widespread, rapid and significant increases in the prices of many of our raw and auxiliary materials as well as the ocean freight rates, which severely squeezed our profit margin. Meanwhile, most of our sales contracts with our major customers were subsisting long-term or cross-year contracts, and many of them were signed in 2020 with lowered prices due to the impact of the COVID-19 pandemic, for which we were not able to adjust the prices before their expiration. These factors caused the significant drop of our gross profit margin. For the year ended 31 December 2021, we recorded a total net profit of RMB11.7 million, which means a drop of about 47.1% compared to that of the year ended 31 December 2020.

Following re-tendering processes, most of our cross-year contracts were re-signed at the end of 2021 and the sales prices have risen. However, due to the recent international political and military unrest, the prices of many commodities, including crude oil, have risen, and the prices of our raw materials are likely to rise further as a result. Nevertheless, we believe that peace and economic growth are the basic aspirations of all mankind, and the turbulent international situation will not last long. Further, many countries have initiated measures, such as raising the interest rates, to counter the inflation, so the prices of commodities will eventually return to their reasonable level.

In 2021, thanks to our Group’s continuous efforts in research and development, we successfully obtained 1 invention patent right and 4 utility model patent rights, and also applied to the patent administration for 1 new invention patent right and 4 new utility model patent rights. Our own laboratory has also taken a crucial step forward. After more than one year of work in upgrading hardware & software and optimizing management, our laboratory passed the comprehensive audit by the China National Accreditation Service for Conformity Assessment (CNAS) and has been awarded the CNAS certificate. Hence, our laboratory and its testing results will be nationally and internationally recognized, which will greatly enhance our customers’ trust in our product testing capability and quality assurance, add to our advantage in participating in customers’ procurement tenders, and help us gain more customers and cooperation partners.

Compliance with Key Regulatory Requirements

The following table summarizes the key statutory requirements and our compliance status for the year ended 31 December 2021:

Key requirements

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 shall obtain the License for the Safe Use of Hazardous Chemicals* (危險化學品安全使用許可證) if the amount of their use of hazardous chemicals has reached the stipulated quantity of hazardous chemicals.

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 which are 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 cease their business activities.

According to the Ordinance for the Administration of Pollutant Discharge Licenses* (排污許可證管理條例), enterprises and other production operators (pollutant discharging units) who are under the administration of pollutant discharge regulations, shall apply for a pollutant discharge license in accordance with the provisions of this Ordinance, otherwise, they are not allowed to discharge pollutants.

Compliance status

Aiming at better health, safety and environment (“HSE”) performance, our Group has cut the quantity of hazardous chemicals used and is no longer required to obtain the said license following the evaluation by a professional organization and the registration with the related government authority in 2020. For the year ended 31 December 2021, our Group has satisfied the conditions for exemption of obtaining the said license.

Our Group complied with such requirement for the year ended 31 December 2021.

Our Group complied with such requirement for the year ended 31 December 2021.

Future Plan and Prospects

In this new international and domestic situation, we will adopt the following strategies and plans:

- We will optimize our procurement management. We will closely follow up with, study and judge the trend of raw material prices, and appropriately increase the inventory of raw and auxiliary materials when their prices are low. At the same time, we will strengthen our control of production and management costs and take various effective measures to save energy and reduce consumption in order to mitigate the adverse impact of the rising raw material prices on our profit margin.
- We will expand our business scope and open up more sales channels. To this end, we have set up dedicated staff to search on a daily basis for tenders related to our products. We will take full advantage of our newly obtained CNAS laboratory certification to actively participate in more potential customers' procurement tenders. At present and in the long term, we will cooperate with more international and domestic traders in a wider range of products in order to gain more long-term customers. At the same time, we will strengthen the cooperation with famous multinational chemical companies in order to sell more of their products in China as a distributor and also sell our own products abroad through their help.
- In view of the industry trend of refining-chemical integration, we will fully utilize our research & development strength to expand our product range and also apply for more patent rights.
- On the existing basis, we will continue to constantly upgrade our safety and environmental protection facilities, improve our safety and environmental protection management, revise and improve our emergency rescue plans, expand the scope of our emergency drills and trainings, and establish a system for the investigation and control of hidden risk of accidents, so as to continue to ensure zero accident in terms of safety and environmental protection.

Financial Overview

Revenue

Our revenue increased by 10.9% from RMB159.9 million for the year ended 31 December 2020 to RMB177.3 million for the year ended 31 December 2021. The following table sets forth our revenue by products for the years indicated:

	For year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Oil refining agents	92,462	91,745
Fuel additives	84,868	68,189
Total revenue	177,330	159,934

Revenue derived from oil refining agents increased from RMB91.7 million for the year ended 31 December 2020 to RMB92.5 million for the year ended 31 December 2021, which was mainly due to the rebound in demands for oil refining agents from the refining industry in 2021. We seized the opportunity and sold more oil refining agents. Revenue derived from fuel additives increased from RMB68.2 million for the year ended 31 December 2020 to RMB84.9 million for the year ended 31 December 2021, which was mainly due to the rebound in demands for fuel additives from the refining industry in 2021, leading to more consumption by our existing customers and more customers were obtained by our strengthened sales force.

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

	For year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
PRC	170,768	149,259
Sudan	6,562	9,644
Others ⁽¹⁾	–	1,031
Total revenue	177,330	159,934

Note:

⁽¹⁾ Other countries and regions in which we had sales for the years ended 31 December 2020 and 2021 included 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 RMB149.3 million for the year ended 31 December 2020 to RMB170.8 million for the year ended 31 December 2021, which was mainly due to China’s good control of the COVID-19 pandemic leading to a rebound in demands from the domestic refining industry, which brought an increase in the consumption by our existing domestic customers. At the same time, we added to our sales efforts and successfully increased the number of our domestic customers. Revenue derived from the overseas market decreased from RMB10.7 million for the year ended 31 December 2020 to RMB6.6 million for the year ended 31 December 2021, which was mainly due to that some overseas end-users have changed from appointing overseas agents to purchase products from us to appointing Chinese agents to purchase products from us and then export them, resulting in a decrease in our direct export volume, and that a delay in the delivery of our products to a major customer in Sudan was caused by the shortage of shipping containers and the difficulties in booking vessel space in 2021.

Cost of sales

Our cost of sales increased from RMB115.0 million for the year ended 31 December 2020 to RMB140.8 million for the year ended 31 December 2021. The following table sets forth our cost of sales by products for the years indicated:

	For year ended 31 December	
	2021	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Oil refining agents	68,032	63,866
Fuel additives	72,807	51,155
Total cost of sales	140,839	115,021

The cost of sales of oil refining agents increased from RMB63.9 million for the year ended 31 December 2020 to RMB68.0 million for year ended 31 December 2021, which was mainly due to the significant rise in the prices of many raw and auxiliary materials for our oil refining agents as a result of the global inflation. The cost of sales of fuel additives increased from RMB51.2 million for the year ended 31 December 2020 to RMB72.8 million for the year ended 31 December 2021, which was mainly due to the increase of the quantity of fuel additives sold and the significant rise in the prices of major raw materials for our fuel additives as a result of the global inflation.

Profit from operations

Our profit from operations decreased from RMB23.3 million for the year ended 31 December 2020 to RMB12.9 million for the year ended 31 December 2021, which was mainly due to the decrease in the gross profit of our products sold. The following table sets forth the profit from operations for the years indicated:

	For year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Gross profit	36,491	44,913
Other income	4,331	4,376
Sales and marketing expenses	(9,530)	(8,377)
General and administrative expenses	(10,659)	(10,106)
Research and development expenses	(7,715)	(7,530)
Profit from operations	12,918	23,276

Gross profit

For the years ended 31 December 2020 and 2021, our gross profit amounted to RMB44.9 million and RMB36.5 million, respectively. Our gross profit margin was 28.1% and 20.6%, respectively, for the same periods. The table below sets forth our gross profit by product for the years indicated:

	For year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Oil refining agents	24,430	27,879
Fuel additives	12,061	17,034
Total gross profit	36,491	44,913

Our gross profit for oil refining agents decreased by 12.4% from RMB27.9 million for the year ended 31 December 2020 to RMB24.4 million for the year ended 31 December 2021, which was mainly due to the increase of the total cost of sales of our oil refining agents. Our gross profit margin of oil refining agents has decreased from 30.4% to 26.4% for the same periods, which was mainly due to that most of the contracts we executed in 2021 were long-term or cross-year contracts with prices lowered in 2020 due to the impact of the COVID-19 pandemic, and that the prices of many of our major raw materials for oil refining agents have risen dramatically in 2021 as a result of the global inflation.

Our gross profit for fuel additives decreased by 29.2% from RMB17.0 million for the year ended 31 December 2020 to RMB12.1 million for the year ended 31 December 2021, which was mainly due to the increase of the total cost of sales of our fuel additives. Our gross profit margin of fuel additives has decreased from 25.0% to 14.2% for the same periods, which was mainly due to that most of the contracts we executed in 2021 were long-term or cross-year contracts with prices lowered in 2020 due to the impact of the COVID-19 pandemic, and that the prices of our major raw materials for fuel additives have risen dramatically in 2021 as a result of the global inflation.

Other income

Our other income decreased slightly from RMB4.4 million for the year ended 31 December 2020 to RMB4.3 million for the year ended 31 December 2021, without significant change.

Sales and marketing expenses

Our sales and marketing expenses increased from RMB8.4 million for the year ended 31 December 2020 to RMB9.5 million for the year ended 31 December 2021, which was mainly due to the increase in freight cost, successful tender service fees and business hospitality expenses.

General and administrative expenses

Our general and administrative expenses mainly include the professional service fees, 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 increased from RMB10.1 million for the year ended 31 December 2020 to RMB10.7 million for the year ended 31 December 2021, which was mainly due to the increase of the hospitality and entertainment costs.

Research and development expenses

Our research and development expenses increased from RMB7.5 million for the year ended 31 December 2020 to RMB7.7 million for the year ended 31 December 2021. 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 years ended 31 December 2020 and 2021 was RMB11.7 million and RMB12.4 million, respectively. The increase in income tax expense was mainly due to the reversal of deferred income tax expense in 2020 due to the change in the tax rate, resulting in a lower income tax expense for that year, while there was no such reversal in 2022. For the years ended 31 December 2020 and 2021, our effective tax rates for the same periods were 5.0% and 9.6%, respectively.

Profit for the year

As a result of the foregoing, our profit decreased by 47.1% from RMB22.1 million for the year ended 31 December 2020 to RMB11.7 million for the year ended 31 December 2021, which was mainly due to the decrease of the total gross profit.

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.

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	
	2021	2020
	RMB'000	RMB'000
Current assets		
Inventories	36,269	27,095
Trade and other receivables	78,372	81,070
Prepayments	4,932	4,723
Cash and cash equivalents	152,059	144,762
Total current assets	271,632	257,650
Current liabilities		
Trade and other payables	20,588	16,176
Contract liabilities	–	396
Income tax payable	3,089	3,492
Total current liabilities	23,677	20,064
Net current assets	247,955	237,586

Our current assets increased from RMB257.7 million as of 31 December 2020 to RMB271.6 million as of 31 December 2021, which was mainly due to the increase in inventories and cash and cash equivalents. Our current liabilities increased from RMB20.1 million as of 31 December 2020 to RMB23.7 million as of 31 December 2021, which was mainly due to the increase in trade and other payables.

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 and commercial acceptance bills receivable that entitle our Group to receive the full face amount from banks or customers 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables, net of loss allowance	61,665	66,079
Bills receivables	10,746	9,786
Other receivables	5,961	5,205
Financial assets measured at amortised cost	78,372	81,070
Trade and other receivables, net	78,372	81,070

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

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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	50,106	48,937
After 3 months but within 6 months	3,090	14,412
After 6 months but within 1 year	7,437	1,920
After 1 year but within 2 years	1,032	314
After 2 years but within 3 years	–	496
Trade receivables, net of loss allowance	61,665	66,079

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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	9,223	2,208
Other payables and accruals	11,365	13,968
Total Trade and other payables	20,588	16,176

Our trade and other payables increased from RMB16.2 million as of 31 December 2020 to RMB20.6 million as of 31 December 2021, which was mainly due to the temporary increase in the balance of trade payables as a result of our increased purchases of raw materials in the end of 2021. 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	9,103	1,790
Over 3 months but within 6 months	120	240
Over 6 months but within 1 year	–	178
Over 1 year but within 2 years	–	–
Total trade payables	9,223	2,208

Gearing Ratio

Our gearing ratio which is calculated by total borrowings divided by total assets was both nil as of 31 December 2020 and 31 December 2021.

Contingent liabilities, guarantees and litigation

As of 31 December 2021 and 2020, we had no contingent liabilities, guarantees or litigation.

Capital Expenditures and Commitment

For the year ended 31 December 2021, 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of property, plant and equipment	1,075	4,840
Total capital expenditures	1,075	4,840

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

	As of 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted for	–	1,616
Authorised but not contracted for	–	–
Total capital commitments not provided for in the financial statements	–	1,616

Save as disclosed above, we did not have any significant capital commitment as of 31 December 2021.

Off-balance Sheet Arrangements

As of 31 December 2021, we did not have any off-balance sheet arrangements.

Foreign Currency Exposure

Our Group did not use any derivative financial instruments to hedge the risk of exchange rate changes for the year ended 31 December 2021.

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	
	2021	2020
Return on equity ⁽¹⁾	4.1%	8.0%
Return on assets ⁽²⁾	3.8%	7.3%
Current ratio ⁽³⁾	11.5	12.8
Quick ratio ⁽⁴⁾	9.9	11.5
Gross profit margin	20.6%	28.1%
Net profit margin	6.6%	13.8%

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 8.0% as of 31 December 2020 to 4.1% as of 31 December 2021 primarily because of the decrease of our profit for the year and the increase of the average equity.

Return on assets

Our return on assets reflecting our profitability decreased from 7.3% as of 31 December 2020 to 3.8% as of 31 December 2021 primarily because of the decrease of our profit for the year and the increase of our average assets.

Current ratio

Our current ratio decreased from 12.8 as of 31 December 2020 to 11.5 as of 31 December 2021 primarily because of the increase in our current liabilities. It reflected our ability to pay our obligations which are due within one year.

Quick ratio

Our quick ratio reflecting our liquidity decreased from 11.5 as of 31 December 2020 to 9.9 as of 31 December 2021 primarily because of the increase of the proportion of inventories in current assets and the increase in our current liabilities.

MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2021, 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 funding in the short term.

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 Listing of approximately HK\$110.7 million (after deducting underwriting commissions and other estimated expenses in connection with the Listing). The net proceeds received from the Listing 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. Taking into account the decline in the business from Sudan and the impact on the economy situation by the COVID-19 Pandemic, the soaring raw materials’ prices and ocean freight rate since the end of 2020 due to the global inflation as well as the recent international political unrest, which have affected or will probably affect our operating results, we slowed down the progress of our original plan on the use of the proceeds from Listing, in order to ensure that the intended results from the use of the proceeds can be achieved. Up to the date of this announcement, we have only completed a part of the investment in the projects for upgrading our Yixing plant and building production facilities for the manufacturing of an important raw material, high-purity oleic acid, which have been put into commercial production. We will follow up closely with the international political and economic situation and study the market development trend, and will continue to invest the proceeds in the following projects at the right time, so as to finally reach the desired production capacity.

Since the Listing Date and up to 31 December 2021, the utilization of the net proceeds and the remaining balance (approximately HK\$56.0 million) are set out below:

Purposes	Allocation (on a pro-rata basis)	Amount utilized as of 31 December 2021	The remaining balance as of 31 December 2021
To upgrade our Yixing Plant by purchasing new sets of machinery, equipment and analytical instruments	Approximately HK\$42.8 million (approximately 39%)	Approximately HK\$15.5 million	Approximately HK\$27.3 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\$25.6 million	Approximately HK\$28.3 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 4%)	Approximately HK\$5.2 million	–
Total	Approximately HK\$110.7 million (100%)	Approximately HK\$55.1 million	Approximately HK\$55.6 million

* *The remaining balance of the net proceeds is expected to be used up in 24 months from 31 December 2021.*

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 2021, the Company has no outstanding share option under the Share Option Scheme.

EMPLOYMENT AND EMOLUMENTS

As of 31 December 2021, our Group had 59 employees. All of our employees are based in the PRC. 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 (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance. For the year ended 31 December 2021, the Company has complied with the CG Code except for the following deviation from provision A.2.1 (which has been re-arranged as code provision C.2.1 since 1 January 2022) of the CG Code which is explained below:

According to provision C.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 best 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. During the Reporting Period, having made specific enquiry to each Director, all Directors have confirmed that they have fully complied with the required standards as set out in the Model Code.

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

During the Reporting Period, 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 2021 (for the year ended 31 December 2020: HK\$0.01 per share).

Save as mentioned above and disclosed in note 13 to the consolidated financial statements of this Annual Results, there are no significant subsequent events after the Reporting Period and up to the date of this announcement.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK\$0.01 per share for the year ended 31 December 2021 (for the year ended 31 December 2020: HK\$0.01 per share) to shareholders whose names appear on the Company's register of members on Tuesday, 7 June 2022 (the "**Proposed Final Dividend**"). Subject to the approval of the shareholders at the Company's forthcoming annual general meeting to be held on Thursday, 26 May 2022 (the "**AGM**"), the Proposed Final Dividend is expected to be paid on or around Thursday, 23 June 2022.

AGM

The AGM will be held at the Company's headquarters and principal place of business in the PRC at No. 16 West Kaixuan Road, Economic Development Zone, Yixing, Jiangsu, the PRC on Thursday, 26 May 2022. Notice of the AGM will be issued and disseminated by the Company to shareholders in due course as required under the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

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 Monday, 23 May 2022 to Thursday, 26 May 2022, both days inclusive, during which period no transfer 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 the 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 Friday, 20 May 2022.

For the purpose of determining the entitlement to the Proposed Final Dividend, the register of members of the Company will be closed from Wednesday, 1 June 2022 to Tuesday, 7 June 2022, both days inclusive, during which period no transfer 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 the 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, 31 May 2022.

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 and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary result announcement have been compared by the Company's auditors, 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 auditors.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The Annual Results announcement is published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jsctxsh.cn). The annual report for the year ended 31 December 2021 will be dispatched to shareholders of the Company and available on the same websites in April 2022 as required under the Listing Rules.

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

Hong Kong, 25 March 2022

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

* *For identification purpose only*