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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 2020**

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 2020 (the “**Reporting Period**”), together with comparative figures for the corresponding period in 2019. 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 2020**(Expressed in Renminbi (RMB) Yuan)*

	<i>Note</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
<b>Revenue</b>	2	<b>159,934</b>	175,754
Cost of sales		<u>(115,021)</u>	<u>(115,532)</u>
Gross profit		<b>44,913</b>	60,222
Other income	3	<b>4,376</b>	3,091
Sales and marketing expenses		<b>(8,377)</b>	(8,954)
General and administrative expenses		<b>(10,106)</b>	(11,791)
Research and development expenses	4(c)	<u>(7,530)</u>	<u>(8,123)</u>
<b>Profit from operations</b>		<b>23,276</b>	34,445
Finance costs	4(a)	<u>(53)</u>	<u>(31)</u>
<b>Profit before taxation</b>	4	<b>23,223</b>	34,414
Income tax	5	<u>(1,171)</u>	<u>(7,468)</u>
<b>Profit for the year</b>		<u><b>22,052</b></u>	<u>26,946</u>
<b>Earnings per share</b>	6		
Basic and diluted ( <i>RMB cents</i> )		<u><b>4.59</b></u>	<u>5.61</u>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020  
(Expressed in Renminbi (RMB) Yuan)

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Profit for the year</b>	<b>22,052</b>	26,946
<b>Other comprehensive income for the year (after tax and reclassification adjustments):</b>		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	<b>(6,538)</b>	2,407
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside mainland China	<u><b>3,400</b></u>	<u>(1,220)</u>
<b>Other comprehensive income for the year</b>	<u><b>(3,138)</b></u>	<u>1,187</u>
<b>Total comprehensive income for the year</b>	<u><b>18,914</b></u>	<u>28,133</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***at 31 December 2020**(Expressed in Renminbi (RMB) Yuan)*

	<i>Note</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	7	<b>44,445</b>	44,069
Right-of-use assets		<b>3,204</b>	3,304
Deferred tax assets	10(b)	<b>308</b>	503
		<b>47,957</b>	47,876
<b>Current assets</b>			
Inventories		<b>27,095</b>	27,569
Trade and other receivables	8	<b>85,793</b>	73,869
Cash and cash equivalents		<b>144,762</b>	146,693
		<b>257,650</b>	248,131
<b>Current liabilities</b>			
Trade and other payables	9	<b>16,176</b>	19,291
Contract liabilities		<b>396</b>	30
Income tax payable	10(a)	<b>3,492</b>	3,699
		<b>20,064</b>	23,020
<b>Net current assets</b>			
		<b>237,586</b>	225,111
Total assets less current liabilities			
		<b>285,543</b>	272,987
<b>Non-current liabilities</b>			
Deferred tax liabilities	10(b)	<b>2,423</b>	4,451
		<b>2,423</b>	4,451
<b>NET ASSETS</b>			
		<b>283,120</b>	268,536
<b>CAPITAL AND RESERVES</b>			
Share capital	11	<b>3,873</b>	3,873
Reserves	11	<b>279,247</b>	264,663
<b>TOTAL EQUITY</b>			
		<b>283,120</b>	268,536

## 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 2020 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:

- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest Rate Benchmark Reform
- Amendments to HKAS 1 and HKAS 8, Definition of Material
- Amendment to HKFRS 16, Covid-19-Related Rent Concessions

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***

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Sales of oil refining agents	<b>91,745</b>	113,769
Sales of fuel additives	<b>68,189</b>	61,985
	<hr/>	<hr/>
Total	<b>159,934</b>	175,754
	<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 2020 presented as below:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Customer A	<b>16,383</b>	20,922
	<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 2020, substantially all specified non-current assets were physically located in the People's Republic of China (the "PRC").

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Mainland China	149,259	163,931
Sudan	9,644	10,511
Other countries and regions	1,031	1,312
Total	<u>159,934</u>	<u>175,754</u>

(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 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**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Service income	44	270
Government grants	610	216
Net foreign exchange loss	(57)	(400)
Interest income on financial assets measured at amortised cost	2,848	2,725
Scrap sales	1,144	308
Net loss on disposal of property, plant and equipment	(125)	(3)
Others	(88)	(25)
Total	<u>4,376</u>	<u>3,091</u>

#### 4 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on other borrowings	<u>53</u>	<u>31</u>

(b) Staff costs

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries, wages and other benefits	6,749	7,269
Contributions to defined contribution retirement plans (i)	<u>28</u>	<u>364</u>
	<u>6,777</u>	<u>7,633</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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of inventories (i)	119,647	120,092
Research and development expenses	7,530	8,123
Depreciation of property, plant and equipment	4,389	3,207
Depreciation of right-of-use assets	100	100
Impairment losses of trade receivables reversed	(1)	(87)
Auditors' remuneration		
– audit services	1,265	1,385
– tax services	<u>14</u>	<u>26</u>
	<u>1,279</u>	<u>1,411</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.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Staff costs	1,910	2,315
Depreciation and amortization	2,240	1,036
Research and development expenses	4,626	4,560

## 5 INCOME TAX

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Current tax:</b>		
Provision for current income tax for the year ( <i>note 10(a)</i> )	3,313	2,369
Over-provision in prior years ( <i>note 10(a)</i> )	(309)	(70)
	<u>3,004</u>	<u>2,299</u>
<b>Deferred tax:</b>		
Reversal and origination of temporary differences ( <i>note 10(b)</i> )	(254)	5,983
Effect on deferred tax balances at 1 January resulting from a change in tax rate ( <i>note 10(b)</i> )	(1,579)	(814)
	<u>1,171</u>	<u>7,468</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Profit before taxation</b>	<u>23,223</u>	<u>34,414</u>
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned (i)	6,184	9,109
Tax effect of preferential tax rate (ii)	(2,476)	–
Over-provision in prior years	(309)	(70)
Tax effect of non-deductible expenses	58	300
Tax losses not recognized	6	9
Additional deduction for qualified research and development costs (iii)	(713)	(1,066)
Effect on deferred tax balances at 1 January resulting from a change in tax rate ( <i>note 10(b)</i> )	(1,579)	(814)
<b>Actual income tax expense</b>	<u>1,171</u>	<u>7,468</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 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. In 2019, Jiangsu Chuangxin submitted an application to the related PRC government authority for the assessment and renewal approval of its "High and New Technology Enterprise" qualification, but the application was not approved, thus, it was not entitled to the preferential corporate income tax rate of 15% and was subject to the statutory corporate income tax rate of 25%. In 2020, Jiangsu Chuangxin obtained the approval of High and New Technology Enterprise with an effective period of three years from 2020 to 2022. Therefore, Jiangsu Chuangxin was entitled to a preferential income tax rate of 15% for a period of three years from 2020 to 2022.
- (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 RMB22,052,000 (2019: RMB26,946,000) and 480,000,000 ordinary shares (2019: 480,000,000 ordinary shares) in issue during the year, calculated as follows:

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

	2020	2019
Shares in issue on January 1	<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 2020 and 2019; 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>
<b>Cost:</b>						
<b>At 1 January 2019</b>	23,279	15,188	4,819	12,943	15,848	72,077
Additions	–	1,623	825	–	11,271	13,719
Transfer from construction in progress	4,971	19,627	–	–	(24,598)	–
Disposals	–	–	(46)	(79)	–	(125)
<b>At 31 December 2019 and 1 January 2020</b>	<u>28,250</u>	<u>36,438</u>	<u>5,598</u>	<u>12,864</u>	<u>2,521</u>	<u>85,671</u>
Additions	–	329	262	564	3,935	5,090
Transfer from construction in progress	873	356	–	–	(1,229)	–
Disposals	–	–	–	(6,330)	–	(6,330)
<b>At 31 December 2020</b>	<u>29,123</u>	<u>37,123</u>	<u>5,860</u>	<u>7,098</u>	<u>5,227</u>	<u>84,431</u>
<b>Accumulated depreciation:</b>						
<b>At 1 January 2019</b>	(13,111)	(10,311)	(3,387)	(11,703)	–	(38,512)
Charge for the year	(1,140)	(1,269)	(583)	(215)	–	(3,207)
Written back on disposals	–	–	46	71	–	117
<b>At 31 December 2019 and 1 January 2020</b>	<u>(14,251)</u>	<u>(11,580)</u>	<u>(3,924)</u>	<u>(11,847)</u>	<u>–</u>	<u>(41,602)</u>
Charge for the year	(1,266)	(2,523)	(396)	(204)	–	(4,389)
Written back on disposals	–	–	–	6,005	–	6,005
<b>At 31 December 2020</b>	<u>(15,517)</u>	<u>(14,103)</u>	<u>(4,320)</u>	<u>(6,046)</u>	<u>–</u>	<u>(39,986)</u>
<b>Net book value:</b>						
<b>At 31 December 2020</b>	<u>13,606</u>	<u>23,020</u>	<u>1,540</u>	<u>1,052</u>	<u>5,227</u>	<u>44,445</u>
<b>At 31 December 2019</b>	<u>13,999</u>	<u>24,858</u>	<u>1,674</u>	<u>1,017</u>	<u>2,521</u>	<u>44,069</u>

## 8 TRADE AND OTHER RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables, net of loss allowance ( <i>note (a)</i> )	66,079	60,378
Bills receivables ( <i>note (b)</i> )	9,786	7,440
Other receivables	5,205	4,346
	<hr/>	<hr/>
Financial assets measured at amortised cost	81,070	72,164
Deposits and prepayments	4,723	1,705
	<hr/>	<hr/>
Trade and other receivables, net	<u>85,793</u>	<u>73,869</u>

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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 3 months	48,937	46,565
After 3 months but within 6 months	14,412	8,364
After 6 months but within 1 year	1,920	4,324
After 1 year but within 2 years	314	1,125
After 2 years but within 3 years	496	–
	<hr/>	<hr/>
Trade receivables, net of loss allowance	<u>66,079</u>	<u>60,378</u>

### (b) Bills receivables

Bills receivables represent short-term bank acceptance notes receivable that entitle the 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, 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 2020 and 2019, 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 2020, 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 RMB1,797,000 (2019: RMB Nil).

## 9 TRADE AND OTHER PAYABLES

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables ( <i>note (a)</i> )	<b>2,208</b>	5,308
Other payables and accruals	<b>13,968</b>	13,983
	<hr/>	<hr/>
Trade and other payables	<b>16,176</b>	19,291
	<hr/> <hr/>	<hr/> <hr/>

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:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 3 months	<b>1,790</b>	5,097
Over 3 months but within 6 months	<b>240</b>	88
Over 6 months but within 1 year	<b>178</b>	16
Over 1 year but within 2 years	<b>–</b>	107
	<hr/>	<hr/>
Trade payables	<b>2,208</b>	5,308
	<hr/> <hr/>	<hr/> <hr/>

## 10 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Balance at 1 January	<b>3,699</b>	5,033
Provision for current income tax for the year ( <i>note 5(a)</i> )	<b>3,313</b>	2,369
Over-provision in prior years ( <i>note 5(a)</i> )	<b>(309)</b>	(70)
Payment made during the year	<b>(3,211)</b>	(3,633)
	<hr/>	<hr/>
Balance at 31 December	<b>3,492</b>	3,699
	<hr/> <hr/>	<hr/> <hr/>

(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 2019	16	36	1,169	–	1,221
Effect on deferred tax balances resulting from a change in tax rate (note 5(a))	11	24	779	–	814
Charged to profit or loss (note 5(a))	(21)	(41)	(1,470)	(4,451)	(5,983)
Balance at 31 December 2019 and 1 January 2020	6	19	478	(4,451)	(3,948)
Effect on deferred tax balances resulting from a change in tax rate (note 5(a))	(2)	(8)	(191)	1,780	1,579
Charged to profit or loss (note 5(a))	–	6	–	248	254
Balance at 31 December 2020	<u>4</u>	<u>17</u>	<u>287</u>	<u>(2,423)</u>	<u>(2,115)</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statements of financial position	308	503
Net deferred tax liabilities recognised in the consolidated statements of financial position	<u>(2,423)</u>	<u>(4,451)</u>
	<u>(2,115)</u>	<u>(3,948)</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. Our Group has not recognised deferred tax liabilities as at 31 December 2020 in respect of undistributed earnings of RMB81,076,000 (2019: RMB59,847,000) 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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Final dividend proposed after the end of the reporting period of Hong Kong Dollar (“HK\$”) 0.01 per ordinary share (2019: HK\$0.01 per ordinary share)	<u>4,026</u>	<u>4,330</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

	2020 <i>RMB'000</i>	2019 <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 (2019: HK\$0.01 per share)	<u>4,330</u>	<u>4,104</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 2019, 31 December 2019, 1 January 2020 and 31 December 2020	<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 2020 not provided for in the financial statements were as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Contracted for	<b>1,616</b>	312
Authorised but not contracted for	—	—
	<u><b>1,616</b></u>	<u>312</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

In recent years, the oil-refining capacity of emerging economies in Asia Pacific region, such as the People’s Republic of China (the “**PRC**”), India and Malaysia, has been increasing continuously, and the PRC has become the world’s second largest refiner after the United States. It is expected that this trend will continue in the next 2 to 3 years. At present, refining enterprises in the PRC are enlarging their scale and raising their processing capacity, and some ultra-large refineries are being constructed or have been lately put into operation by these refining enterprises, such as Hengli Petrochemical Co., Ltd.\* (恒力石化股份有限公司), Zhejiang Petroleum & Chemical Co., Ltd.\* (浙江石油化工有限公司), Shenghong Petrochemical Group Co., Ltd.\* (盛虹石化集團有限公司), etc.

The Standard A 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 has been fully implemented from 1 July 2020, and the Standard B thereof will be fully implemented from 1 July 2023, which will continue to promote the production and consumption of high-quality fuels in the PRC.

All these factors will lead to more demands for oil refining agents and fuel additives. However, in the first half year of 2020, the novel coronavirus (“**COVID-19**”) pandemic affected the domestic demands for diesel oil and gasoline and the operating rate of refineries, and the PRC’s oil-processing volume also declined correspondingly comparing with the same period of 2019. Since the beginning of the second half of 2020, the effective control of the COVID-19 pandemic in the PRC has led to a pick-up in domestic demands.

### Business Overview

In 2020, though affected by the COVID-19 pandemic, we well maintained our supplies to the various affiliates of the three state-owned conglomerates, namely 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**”) and China National Offshore Oil Corporation\* (中國海洋石油集團有限公司) (“**CNOOC**”). In fact, we performed well in most of the biddings invited by the three conglomerates. As a result, the total quantity of our products sold in 2020 almost did not decline despite the impact of the COVID-19 pandemic.

We also continued our efforts in customer diversification, and more private refining enterprises are becoming our long-term customers.

Our newly-built high-purity oleic acid production facilities have also helped us gain top ranking in the related biddings invited by Sinopec and CNPC.

As of the date of this announcement, we own numerous national patents and technology-related copyrights, and our research and development centre is now a certified “Province-Level Industrial-Enterprise Technical Centre”\* (省級工業企業技術中心), which will add to the momentum of our development. For the year ended 31 December 2020, we recorded a total revenue of RMB159.9 million as compared to the total revenue of RMB175.8 million for the year ended 31 December 2019.

### Compliance with Key Regulatory Requirements

The following table summarizes the key statutory requirements and our compliance status for the year ended 31 December 2020:

#### 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 Interim Measures for the Administration of Pollutants Discharge Licenses\* (排污許可證管理暫行規定), enterprises which directly or indirectly discharge industrial wastewater into the water must obtain a pollutant discharge license.

#### Compliance status

In the year ended 31 December 2020, aiming at better health, safety and environment (“HSE”) performance, our Group cut the quantity of hazardous chemicals used in production 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.

Our Group complied with such requirement for the year ended 31 December 2020.

Our Group complied with such applicable requirement for the year ended 31 December 2020.

## ***Future Plan and Prospects***

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

- Following the completion of the first phase project for upgrading our production capacity, we have been following up, and will continue to follow up, closely with the developments of the market and study and judge the market trend, and will continue to upgrade the production capacity of our plant in Yixing City, the PRC (“**Yixing Plant**”) at the right time to meet the demands of customers.
- The new series of products, vehicle fuel additives (gasoline detergents) with the newest 6th-generation formula, which we have been working on, have been in trial production at the end of 2019. During the Reporting Period, due to the COVID-19 pandemic, the travel of people has eminently decreased, which temporarily suppressed demands and consumers’ desire for vehicle fuel additives. Considering the effects of the use of capital, we slowed down the construction and market cultivation of this project. Yet, we have still done various low-cost preparation work for the products to be launched at the right time, such as discussing with experts for improving the formula and package of the products, introducing the products to the sales department of oil companies for the purpose of selling them in their gas stations, contacting automobile 4S shops and repair plants to make our products known to them, approaching car aficionados for trial use of the products, etc. In the meantime, we sent the products to the national authoritative testing organization for testing against the latest national standard, and received the engine bench test report in January 2021 and the analysis report in February 2021. As per the test results and feedbacks of trial use, the performance of our products is excellent. The above work will be further promoted in 2021. In the future, we will continue to research and develop new products with potential market demands so as to create new profit growth points.
- We will make more efforts in diversifying our revenue sources by reaching out to more non-state-owned oil refineries and strengthening our cooperation with capable traders to develop potential overseas customers.
- The first phase of the production facilities for a key raw material, high-purity oleic acid, have been constructed and put in operation in 2019, which has reduced the raw material cost of one of our major products, diesel oil lubricity improver. Making use of this advantage, we have greatly improved our ranking in all major biddings invited by Sinopec and CNPC. We will continue our endeavor to expand the sales channels of this major product. Meanwhile, we will closely follow up with and observe the market trend, and invest more capital at the right time to expand the production capacity of this key raw material.

- During the Reporting Period, based on the achievements of our research and development, we applied for and obtained a number of new patents. Our major subsidiary, Jiangsu Chuangxin, regained the status of “High and New Technology Enterprise” \* (“高新技術企業”), which enables Jiangsu Chuangxin to enjoy the preferential corporate income tax rate of 15% for 3 years from 2020 to 2022. We will continue enhancing our research and development capabilities to develop innovative, high-quality new products with potential market demands.
- During the Reporting Period, we continued strengthening our safety management so as to make sure the safety management of the Group is always at a high level. We completed the Periodical Safety Status Evaluation Report for the whole Yixing Plant and had it registered with the related government authority. We completed the construction of the “5-in-1” Chemical-Enterprise Safe-Production Information Management Platform. Aiming at better HSE performance, we cut the quantity of hazardous chemicals used in production and as a result, are no longer required to obtain the License for the Safe Use of Hazardous Chemicals following the evaluation of a professional organization and the registration with the related government authority. We are now upgrading our Yixing Plant’s safety production standardization system from Level-3 to Level-2, and will strive to pass the acceptance inspection by the related government authority in 2021.

## Financial Overview

### Revenue

Our revenue decreased by 9.0% from RMB175.8 million for the year ended 31 December 2019 to RMB159.9 million for the year ended 31 December 2020. The following table sets forth our revenue by products for the years indicated:

	For year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Oil refining agents	<b>91,745</b>	113,769
Fuel additives	<b>68,189</b>	61,985
<b>Total revenue</b>	<b>159,934</b>	175,754

Revenue derived from oil refining agents decreased from RMB113.8 million for the year ended 31 December 2019 to RMB91.7 million for the year ended 31 December 2020, which was mainly due to less traveling of people since the outbreak of COVID-19 pandemic in January 2020, leading to reduced consumption of gasoline and diesel oil. As a result, Chinese refineries lowered their production load and also required suppliers to cut their supply prices. Consequently, our sales of oil refining agent declined due to lower demands and lower selling price. Revenue derived from fuel additives increased from RMB62.0 million for the year ended 31 December 2019 to RMB68.2 million for the year ended 31 December 2020, which was mainly due to our success in developing more customers, both state-run and private, as users of our fuel additives in the second half of 2020.

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:

	<b>For year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
PRC	<b>149,259</b>	163,931
Sudan	<b>9,644</b>	10,511
Others <sup>(1)</sup>	<b>1,031</b>	1,312
<b>Total revenue</b>	<b>159,934</b>	175,754

*Note:*

<sup>(1)</sup> Other countries and regions in which we had sales for the years ended 31 December 2019 and 2020 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 decreased from RMB163.9 million for the year ended 31 December 2019 to RMB149.3 million for the year ended 31 December 2020, which was mainly due to less traveling of people since the outbreak of COVID-19 pandemic in January 2020, leading to reduced consumption of gasoline and diesel oil. As a result, Chinese refineries lowered their production load and also required suppliers to cut their supply prices, consequently, our sales of oil refining agent declined due to lower selling price and less demands. Revenue derived from the overseas market decreased from RMB11.8 million for the year ended 31 December 2019 to RMB10.7 million for the year ended 31 December 2020, which was mainly due to the decrease of demand from a customer in Sudan.

### ***Cost of sales***

Our cost of sales decreased slightly from RMB115.5 million for the year ended 31 December 2019 to RMB115.0 million for the year ended 31 December 2020. The following table sets forth our cost of sales by products for the years indicated:

	<b>For year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Oil refining agents	<b>63,866</b>	78,330
Fuel additives	<b>51,155</b>	37,202
<b>Total cost of sales</b>	<b>115,021</b>	115,532

The cost of sales of oil refining agents decreased from RMB78.3 million for the year ended 31 December 2019 to RMB63.9 million for year ended 31 December 2020, which was mainly due to the decrease of sales volumes of our oil refining agents. The cost of sales of fuel additives increased from RMB37.2 million for the year ended 31 December 2019 to RMB51.2 million for the year ended 31 December 2020, which was mainly due to the increase of the quantity of fuel additives sold and the rise of the purchase price of major raw materials for our fuel additives.

### ***Profit from operations***

Our profit from operations decreased from RMB34.4 million for the year ended 31 December 2019 to RMB23.3 million for the year ended 31 December 2020, 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:

	<b>For year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Gross profit	<b>44,913</b>	60,222
Other income	<b>4,376</b>	3,091
Sales and marketing expenses	<b>(8,377)</b>	(8,954)
General and administrative expenses	<b>(10,106)</b>	(11,791)
Research and development expenses	<b>(7,530)</b>	(8,123)
<b>Profit from operations</b>	<b>23,276</b>	34,445

### ***Gross profit***

For the years ended 31 December 2019 and 2020, our gross profit amounted to RMB60.2 million and RMB44.9 million, respectively. Our gross profit margin was 34.3% and 28.1%, respectively, for the same periods. The table below sets forth our gross profit by product for the years indicated:

	<b>For year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Oil refining agents	<b>27,879</b>	35,439
Fuel additives	<b>17,034</b>	24,783
<b>Total gross profit</b>	<b>44,913</b>	60,222

Our gross profit for oil refining agents decreased by 21.3% from RMB35.4 million for the year ended 31 December 2019 to RMB27.9 million for the year ended 31 December 2020, which was mainly due to less traveling of people since the outbreak of COVID-19 pandemic in January 2020, leading to reduced consumption of gasoline and diesel oil. As a result, Chinese refineries lowered their production load and also required suppliers to cut their supply prices, consequently, the demand for our oil refining agents was reduced and our selling price lowered. Our gross profit margin of oil refining agents has decreased from 31.1% to 30.4% for the same period, which was mainly due to the cut of our selling price as required by our customers affected by the COVID-19 pandemic.

Our gross profit for fuel additives decreased by 31.3% from RMB24.8 million for the year ended 31 December 2019 to RMB17.0 million for the year ended 31 December 2020, which was mainly due to the cut of our selling price as required by our customers affected by the COVID-19 pandemic and the increase of the production cost of fuel additives as a result of the rise of the prices of our raw materials for fuel additives, and due to the same causes, our gross profit margin of fuel additives has decreased from 40.0% to 25.0% for the same period.

### ***Other income***

Our other income increased from RMB3.1 million for the year ended 31 December 2019 to RMB4.4 million for the year ended 31 December 2020, which was mainly due to the increase of government grants we received in relation to research and development and the income from selling some production wastes.

### ***Sales and marketing expenses***

Our sales and marketing expenses decreased from RMB9.0 million for the year ended 31 December 2019 to RMB8.4 million for the year ended 31 December 2020, which was mainly due to the decrease of the freight cost, the bidding expenses and the traveling expenses of marketing personnel.

### ***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 decreased from RMB11.8 million for the year ended 31 December 2019 to RMB10.1 million for the year ended 31 December 2020, which was mainly due to the decrease of the tax expenses and the traveling expenses of our managerial personnel.

### ***Research and development expenses***

Our research and development expenses decreased from RMB8.1 million for the year ended 31 December 2019 and RMB7.5 million for the year ended 31 December 2020. 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 2019 and 2020 was RMB7.5 million and RMB1.2 million, respectively. The decrease of the income tax expense is mainly due to the regain of the qualification as “High and New Technology Enterprise”\* (高技術企業) in the PRC by the Company’s subsidiary, Jiangsu Chuangxin in 2020, as a result, for the year of 2020, Jiangsu Chuangxin is entitled to the preferential income tax rate of 15% instead of the statutory corporate income tax rate of 25% for the year of 2019. Please refer to our announcements dated 31 December 2019, 13 March 2020 and 28 January 2021 for details. For the years ended 31 December 2019 and 2020, our effective tax rates for the same periods were 21.7% and 5.0%, respectively.

### ***Profit for the year***

As a result of the foregoing, our profit decreased by 18.2% from RMB26.9 million for the year ended 31 December 2019 to RMB22.1 million for the year ended 31 December 2020, 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:

	<b>As of 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Current assets</b>		
Inventories	<b>27,095</b>	27,569
Trade and other receivables	<b>85,793</b>	73,869
Cash and cash equivalents	<b>144,762</b>	146,693
<b>Total current assets</b>	<b>257,650</b>	248,131
<b>Current liabilities</b>		
Trade and other payables	<b>16,176</b>	19,291
Contract liabilities	<b>396</b>	30
Income tax payable	<b>3,492</b>	3,699
<b>Total current liabilities</b>	<b>20,064</b>	23,020
<b>Net current assets</b>	<b>237,586</b>	225,111

Our current assets increased from RMB248.1 million as of 31 December 2019 to RMB257.7 million as of 31 December 2020, which was mainly due to the increase of trade receivables. Our current liabilities decreased from RMB23.0 million as of 31 December 2019 to RMB20.1 million as of 31 December 2020, which was mainly due to the decrease 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:

	<b>As of 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Trade receivables, net of loss allowance	<b>66,079</b>	60,378
Bills receivables	<b>9,786</b>	7,440
<b>Total Trade and bills receivables</b>	<b>75,865</b>	67,818
Other receivables	<b>5,205</b>	4,346
Deposits and prepayments	<b>4,723</b>	1,705
<b>Total Trade and other receivables, net</b>	<b>85,793</b>	73,869

Our total trade and bills receivables increased from RMB67.8 million as of 31 December 2019 to RMB75.9 million as of 31 December 2020, which was mainly due to slower settlement with customers as a result of the COVID-19 pandemic temporarily affecting the operating status of some of our customers.

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:

	<b>As of 31 December</b>	
	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 3 months	<b>48,937</b>	46,565
After 3 months but within 6 months	<b>14,412</b>	8,364
After 6 months but within 1 year	<b>1,920</b>	4,324
After 1 year but within 2 years	<b>314</b>	1,125
After 2 years but within 3 years	<b>496</b>	–
<b>Trade receivables, net of loss allowance</b>	<b>66,079</b>	60,378

#### ***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:

	<b>As of 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Trade payables	<b>2,208</b>	5,308
Other payables and accruals	<b>13,968</b>	13,983
<b>Total Trade and other payables</b>	<b>16,176</b>	19,291

Our trade and other payables decreased from RMB19.3 million as of 31 December 2019 to RMB16.2 million as of 31 December 2020, which was mainly due to the settlement of trade payables for raw materials. 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:

	<b>As of 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Within 3 months	<b>1,790</b>	5,097
After 3 months but within 6 months	<b>240</b>	88
After 6 months but within 1 year	<b>178</b>	16
After 1 year but within 2 years	<b>–</b>	107
<b>Total trade payables</b>	<b>2,208</b>	5,308

### ***Gearing Ratio***

Our gearing ratio which is calculated by total borrowings divided by total assets was both nil as of 31 December 2019 and 31 December 2020.

### ***Contingent liabilities, guarantees and litigation***

As of 31 December 2020 and 2019, we had no contingent liabilities, guarantees or litigation.

### ***Capital Expenditures and Commitment***

For the year ended 31 December 2020, 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:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Purchase of property, plant and equipment	<b>4,840</b>	14,896
<b>Total capital expenditures</b>	<b>4,840</b>	14,896

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

	<b>As of 31 December</b>	
	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Contracted for	<b>1,616</b>	312
Authorised but not contracted for	–	–
<b>Total capital commitments not provided for in the financial statements</b>	<b>1,616</b>	312

Save as disclosed above, we did not have any significant capital commitment as of 31 December 2020.

### ***Off-balance Sheet Arrangements***

As of 31 December 2020, 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 2020.

## 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	
	2020	2019
Return on equity <sup>(1)</sup>	8.0%	10.5%
Return on assets <sup>(2)</sup>	7.3%	9.5%
Current ratio <sup>(3)</sup>	12.8	10.8
Quick ratio <sup>(4)</sup>	11.5	9.6
Gross profit margin	28.1%	34.3%
Net profit margin	13.8%	15.3%

### 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 10.5% as of 31 December 2019 to 8.0% as of 31 December 2020 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 9.5% as of 31 December 2019 to 7.3% as of 31 December 2020 primarily because of the decrease of our profit for the year and the increase of our average assets.

### ***Current ratio***

Our current ratio increased from 10.8 as of 31 December 2019 to 12.8 as of 31 December 2020 primarily because of the increase of our current assets and the decrease of 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 increased from 9.6 as of 31 December 2019 to 11.5 as of 31 December 2020 primarily because of the increase of our current assets and the decrease of current liabilities.

## **MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS**

For the year ended 31 December 2020, 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 of the temporary decline in the business due to the impact on the economy by the international trade war as well as the COVID-19 pandemic, 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 evaluate the effects of the commercial production of the following investment, and follow up closely with the developments of the market and study and judge the market situations and 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 2020, the utilization of the net proceeds and the remaining balance (approximately HK\$56.9 million) are set out below:

<b>Purposes</b>	<b>Allocation (on a pro-rata basis)</b>	<b>Amount utilized as of 31 December 2020</b>	<b>The remaining balance as of 31 December 2020</b>
To upgrade our Yixing Plant by purchasing new sets of machinery, equipment and analytical instruments	Approximately HK\$42.8 million (approximately 39%)	Approximately HK\$14.2 million	Approximately HK\$28.6 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\$53.9million (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	Approximately HK\$53.8 million	Approximately HK\$56.9 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 2020, the Company has no outstanding share option under the Share Option Scheme.

## **EMPLOYMENT AND EMOLUMENTS**

As of 31 December 2020, our Group had 69 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 2020, 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 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 2020 (for the year ended 31 December 2019: 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 2020 (for the year ended 31 December 2019: HK\$0.01 per share) to shareholders whose names appear on the Company's register of members on Tuesday, 8 June 2021 (the "**Proposed Final Dividend**"). Subject to the approval of the shareholders at the Company's forthcoming annual general meeting to be held on Friday, 28 May 2021 (the "**AGM**"), the Proposed Final Dividend is expected to be paid on or around Friday, 25 June 2021.

## **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 Friday, 28 May 2021. 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 Tuesday, 25 May 2021 to Friday, 28 May 2021, 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 Monday, 24 May 2021.

For the purpose of determining the entitlement to the Proposed Final Dividend, the register of members of the Company will be closed from Friday, 4 June 2021 to Tuesday, 8 June 2021, 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 Thursday, 3 June 2021.

## **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 2020 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](http://www.hkexnews.hk)) and the Company ([www.jsctxsh.cn](http://www.jsctxsh.cn)). The annual report for the year ended 31 December 2020 will be dispatched to shareholders of the Company and available on the same websites in due course 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, 26 March 2021

*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*