JSCX

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2116

2017
Annual Report

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. Ge Xiaojun *(Chairman and chief executive officer)*
Ms. Gu Jufang
Mr. Huang Lei
Mr. Jiang Caijun
Mr. Fan Yaqiang

Non-executive Directors
Mr. Gu Yao

Independent Non-executive Directors
Mr. Fan Peng
Mr. Guan Dongtao
Ms. Wu Yan

AUDIT COMMITTEE
Mr. Guan Dongtao *(Chairman)*
Mr. Fan Peng
Ms. Wu Yan

REMUNERATION COMMITTEE
Ms. Wu Yan *(Chairwoman)*
Mr. Guan Dongtao
Ms. Gu Jufang

NOMINATION COMMITTEE
Mr. Ge Xiaojun *(Chairman)*
Ms. Wu Yan
Mr. Guan Dongtao

JOINT COMPANY SECRETARIES
Mr. Tan Qian
Ms. Ko Nga Kit (appointed on 10 April 2018)
Mr. Yong Ho Kee Bernard
(resigned on 10 April 2018)

AUTHORISED REPRESENTATIVES
Mr. Ge Xiaojun
Ms. Ko Nga Kit (appointed on 10 April 2018)
Mr. Yong Ho Kee Bernard
(resigned on 10 April 2018)

REGISTERED ADDRESS IN THE CAYMAN ISLANDS
Cricket Square
Hutchins Drive
P.O. Box 2681
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Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN THE PRC
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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Wanchai
Hong Kong

AUDITOR
KPMG
Certified Public Accountants

LEGAL ADVISERS TO THE COMPANY
Stephenson Harwood *(as to Hong Kong law)*
Jiangsu Roadxiu Law Firm *(as to PRC law)*

COMPLIANCE ADVISER
Orient Capital (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust (Cayman) Limited
Cricket Square
Hutchins Drive
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Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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PRINCIPAL BANKERS

Bank of China Limited
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Qiting Subdistrict
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PRC

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Yicheng Road
Yixing, Jiangsu
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Bank of Communications Co., Ltd.
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Wing Lung Bank Limited
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COMPANY'S WEBSITE

http://www.jscxsh.cn

STOCK CODE

2116

CHAIRMAN'S STATEMENT

Dear Shareholders,

I, on behalf of the Board of the Company, hereby present the audited annual results and consolidated financial statements of our Group for the year ended 31 December 2017 to all Shareholders of the Company.

The Shares of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 28 March 2018. The net proceeds raised by the Company amounted to approximately HK$111.3 million after deducting the underwriting fees, commissions and other relevant listing expenses borne by the Company. The Board believed that the Listing will enable our Group to expand its production capacity to create economies of scale, manufacture certain important raw material internally to reduce the cost and enhance our corporate image and reputation, thereby consolidating and expanding our Group's strengths and position in the industry.

As one of the top five players in the PRC oil refining agents and fuel additives industry, our Group has accumulated extensive experiences and expertises in research and development and production of environmentally-friendly new materials for oil refining. The oil refining agents produced by us can extend the working life and operating cycle of oil refining units and reduce the emission of hazardous gas from oil refineries, and the fuel additives produced by us can enhance the quality and combustion efficiency of fuels and help to reduce the hazardous exhaust from motor vehicles, thereby significantly improving our air quality and environment. Our position and reputation in the industry are also highly recognized by various international chemical giants such as Total and Huntsman which have established long-term partnership with us.

For the year ended 31 December 2017, our Group recorded revenue of approximately RMB186.8 million, representing an increase of approximately 38% as compared to 2016. Our net profit amounted to approximately RMB27.4 million after deducting the listing expenses of approximately RMB13.4 million accrued during the year.

For the outlook of our business development after the Listing, the Board believes that under the direction of "Building a Beautiful China" proposed by President Xi Jinping, the government of China will implement higher and stricter emission standards for motor vehicles, thereby further increasing the market demand for our Group's products. "China V" Fuel Quality Standard (第五階段車用汽油國家標準) in China has been widely implemented in recent years, and the stricter emission standards of "China VI" Fuel Quality Standard will be officially implemented in 2020. As such, the Board believes that our Group will receive strong support to achieve a remarkable growth in the next three years.

CHAIRMAN'S STATEMENT

For business strategies, by leveraging on the listing status, our Group will further consolidate and develop the business relationship with state-owned oil refinery customers while diversifying our customer base by further developing of private oil refinery customers. As the petroleum industry of China opens to private players, more and more local private oil refineries accelerate their upgrading and transformation with rapid increase in size and level, and newly built large-scale oil refinery projects in private sector also commence their operations. Our Group has started to develop customers in private sector several years ago, and has entered into technical or commercial agreements with several large-scale oil refineries in private sector, and will begin to supply our products on an ongoing basis in 2018.

In order to create more return for the Shareholders, our Group will act as an outstanding listing company to strictly comply with the Listing Rules, further strengthen and optimize the management, enhance our corporate image and strive to expand our business and increase the revenue with better products and services.

In conclusion, on behalf of the Board, I would like to express my sincere gratitude to all Shareholders, customers and other parties for their continuous support and confidence.

Yours sincerely,
Ge Xiaojun
Chairman and Chief Executive Officer

21 April 2018

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Oil refining agents refer to different additives used during the crude oil refining process, typically used to enhance the refining process, improve the performance of final products or protect oil refining units. Fuel additives are added into vehicles along with gasoline or diesel, and enhance engine performance by improving the quality of gasoline or other fuels.

On 18 December 2013, the government of the PRC promulgated the "China V" Fuel Quality Standard (第五階段車用汽油國家標準), which sets stricter emissions and fuel quality requirements than the "China IV" Fuel Quality Standard (第四階段車用汽油國家標準) previously in force. The "China V" Fuel Quality Standard mandates that by 31 December 2017, members of the petrochemical industry must lower sulfur levels in fuels from 50 ppm as required under the "China IV" Fuel Quality Standard to 10 ppm, a reduction of 80%. The government of the PRC will implement even more stringent fuel quality requirements under the "China VI" Fuel Quality Standard.

Total sales volume for the PRC oil refining agents and fuel additives market increased from 338.8 thousand tons in 2016 to 354.4 thousand tons in 2017. The volume of application of oil refining agents and fuel additives is highly correlated to crude oil consumption and fuel quality standards in China. With oil consumption in China continuing to increase over the past decades, the country's oil refining agents and fuel additives industry has likewise continued to grow at a steady pace.

Total sales value for the PRC oil refining agents and fuel additives market increased from RMB6,151.2 million in 2016 to RMB6,294.9 million in 2017. Total sales value for oil refining agents and fuel additives is highly correlated to the price of crude oil. The prices stabilized in 2017, the demand for and the sales price of oil refining agents and fuel additives remained steady.

The PRC oil refining agents and fuel additives industry is relatively fragmented, with over 200 players actively operating in the market. In recent decades, producers of oil refining agents in China experienced a period of relatively rapid growth alongside major players located mostly in Jiangsu Province. By the end of 2017, nearly 30% of the PRC oil refining agents and fuel additives manufacturers were located in Jiangsu Province. Jiangsu Province is surrounded by a number of large-scale refinery plants. The oil refining agents and fuel additives manufacturers located in Jiangsu Province gain a great advantage over competitors that are located elsewhere by being able to maintain lower logistical costs.

BUSINESS REVIEW

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. We aspire to bring forth an innovative, environmentally sustainable generation of oil refining technology with our oil refining agents and fuel additives. Our oil refining agents are used to refine crude oil and extend the working life of oil refining units, enhancing economic efficiencies and, with respect to oil refineries, reducing undesirable emissions in the form of industrial waste. Our fuel additives are used to assist customers in complying with evermore stringent mandatory emissions regulations while maintaining the quality and efficiency of fuels. Our key oil refining agents are desulfurizing agents and metal passivators, while our key fuel additives are lubricity improvers. We are among the earliest of our peers to enter the PRC oil refining agents and fuel additives industry and formed long-standing relationships with various affiliates of three state-owned conglomerates, namely China Petrochemical Corporation (中國石油化工集團公司), CNPC and CNOOC.

Leveraging on our core competitive strengths, namely, the top five position in the oil refining agents and fuel additives industry, the capability of complying with the evermore stringent environmental regulations, our long-term customer relationships and strong research and development capabilities, and our experienced senior management team, together with the continuing efforts in developing our businesses, 2017 was another remarkable year. For the year ended 31 December 2017, we recorded a total revenue of RMB186.8 million, which represented a 37.7% increase from the total revenue of RMB135.7 million for the year ended 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLAN AND PROSPECTS

Going forward, we plan to implement the following strategies, which we believe, will further strengthen our core competitive strengths and enable us to capture rising business opportunities:

- Increase our production capacity to meet rising customer demand by upgrading the production capacity of our Yixing Plant;
- Expand our product mix to create new market opportunities while continuing to enhance the quality of our existing products and technologies;
- Expand our customer base to diversify our revenue sources by reaching out to non state-owned oil refineries and potential customers overseas;
- Extend our upstream reach and produce certain key raw materials to lower procurement costs and exercise greater control over product quality by building up production facilities; and
- Continue enhancing our research and development capabilities to develop innovative, high-quality oil refining agents and fuel additives.

Since 31 December 2017, we did not experience any significant change in our pricing and there was no material change in our cost of principal raw materials. Further, to the best of the Directors' knowledge, since 31 December 2017, there was no development in our industry which may materially and adversely affect our business.

FINANCIAL OVERVIEW

Results of Operations

The following table sets forth certain income and expense items from our consolidated statements of profit or loss and other comprehensive income and such items as a percentage of our revenue for the periods indicated:

	Year ended 31 December			
	2016		**2017**	
	RMB'000	*%*	***RMB'000***	***%***
Revenue	135,650	100.0	**186,823**	**100.0**
Cost of sales	(74,514)	(54.9)	**(117,665)**	**(63.0)**
Gross profit	61,136	45.1	**69,158**	**37.0**
Other income	2,548	1.9	**846**	**0.5**
Sales and marketing expenses	(9,680)	(7.1)	**(7,547)**	**(4.0)**
General and administrative expenses	(9,372)	(6.9)	**(21,900)**	**(11.8)**
Research and development expenses	(5,509)	(4.1)	**(7,941)**	**(4.3)**
Profit from operations	39,123	28.8	**32,616**	**17.4**
Finance costs	—	—	**(297)**	**0.2**
Profit before taxation	39,123	28.8	**32,319**	**17.3**
Income tax	(5,777)	(4.3)	**(4,942)**	**(2.7)**
Profit for the year	33,346	24.6	**27,377**	**14.7**

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue increased by 37.7% from RMB135.7 million for the year ended 31 December 2016 to RMB186.8 million for year ended 31 December 2017, primarily due to increases in revenue derived from oil refining agents we sold and revenue derived from fuel additives and oil refining agents we distributed.

By product

For the years ended 31 December 2016 and 2017, the majority of our revenue was derived from oil refining agents that we sold. For the years ended 31 December 2016 and 2017, revenue derived from oil refining agents we sold represented 64.0% and 60.0% of our total revenue, respectively. The following table sets forth a breakdown of our revenue by product category for the periods indicated:

	Year ended 31 December			
	2016		**2017**	
	RMB'000	*%*	***RMB'000***	***%***
Products sold				
Oil refining agents	86,705	64.0	**112,176**	**60.0**
Fuel additives	33,973	25.0	**34,161**	**18.3**
Products distributed				
Oil refining agents	5,346	3.9	**18,597**	**10.0**
Fuel additives	9,626	7.1	**21,889**	**11.7**
Total revenue	135,650	100.0	**186,823**	**100.0**

Revenue derived from oil refining agents we sold increased by 29.4% from RMB86.7 million for the year ended 31 December 2016 to RMB112.2 million for the year ended 31 December 2017. This increase was primarily because: (i) sales volumes of desulfurizing agents increased, such that revenue generated from sales of those products increased by RMB26.7 million from the year ended 31 December 2016 to the year ended 31 December 2017. This was mainly due to a significant purchase order of those products by one of our customers to service its new oil-refining units; and (ii) sales volumes for corrosion inhibitors increased, such that revenue generated from sales of those products increased by RMB3.7 million from the year ended 31 December 2016 to the year ended 31 December 2017. These increases were partially offset by: (i) decreases in our sales volumes of neutralizing agents, such that revenue generated from sales of those products decreased by RMB4.4 million from the year ended 31 December 2016 to the year ended 31 December 2017; and (ii) decreases in our selling price of defoaming agents, such that revenue generated from sales of those products decreased by RMB1.4 million from the year ended 31 December 2016 to the year ended 31 December 2017.

Revenue derived from fuel additives we sold remained stable for the years ended 31 December 2016 and 2017.

Revenue derived from oil refining agents we distributed increased significantly from RMB5.3 million for the year ended 31 December 2016 to RMB18.6 million for the year ended 31 December 2017. This increase was primarily because sales volumes for desulfurizing agents increased in line with rising customer demand, such that revenue generated from distribution of those products increased by RMB13.3 million from the year ended 31 December 2016 to the year ended 31 December 2017.

Revenue derived from fuel additives we distributed substantially increased from RMB9.6 million for the year ended 31 December 2016 to RMB21.9 million for the year ended 31 December 2017. This increase was primarily because: (i) sales volumes for lubricity improvers increased in line with rising customer demand, such that revenue generated from sales of those products increased by RMB6.3 million from the year ended 31 December 2016 to the year ended 31 December 2017; and (ii) revenue from European Energetics Corporation's diesel oil cetane number improvers we distributed increased by RMB6.0 million for the year ended 31 December 2017.

By geography

For the years ended 31 December 2016 and 2017, we sold the majority of our products to customers in China. The following table sets forth the breakdown of our revenue by geography for the periods indicated:

	Year ended 31 December			
	2016		**2017**	
	RMB'000	*%*	***RMB'000***	***%***
China	102,680	75.7	**163,300**	**87.4**
Sudan	29,555	21.8	**21,060**	**11.3**
Others[1]	3,415	2.5	**2,463**	**1.3**
Total revenue	135,650	100.0	**186,823**	**100.0**

Note:

(1) Other countries and regions in which we had sales for the years ended 31 December 2016 and 2017 included Chad, Niger and Algeria 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 RMB102.7 million for the year ended 31 December 2016 to RMB163.3 million for the year ended 31 December 2017 primarily due to the increasing domestic customer demand. Revenue derived from the Sudan market decreased from RMB29.6 million for the year ended 31 December 2016 to RMB21.1 million for the year ended 31 December 2017 primarily due to the decrease in sales volume to the Sudan market.

Cost of sales

Our cost of sales increased by 57.9% from RMB74.5 million for year ended 31 December 2016 to RMB117.7 million for the year ended 31 December 2017. This was primarily due to the increase in: (i) our raw material costs, the principal component of our cost of sales, by 43.1% from RMB60.1 million for the year ended 31 December 2016 to RMB86.0 million for the year ended 31 December 2017; and (ii) cost of distribution, which increased by RMB17.3 million from RMB11.9 million to RMB29.2 million for the same periods.

By nature

Our cost of sales primarily includes raw material costs and cost of distribution. Our cost of sales for the years ended 31 December 2016 and 2017 was RMB74.5 million and RMB117.7 million, respectively, representing 54.9% and 63.0% of our total revenue, respectively. The following table sets forth the components of our cost of sales by nature for the periods indicated:

	Year ended 31 December			
	2016		**2017**	
	RMB'000	%	***RMB'000***	***%***
Raw material costs	60,123	80.7	**86,021**	**73.1**
Cost of distribution	11,919	16.0	**29,192**	**24.8**
Labor costs	1,418	1.9	**1,378**	**1.2**
Utilities costs	420	0.6	**454**	**0.4**
Depreciation	305	0.4	**350**	**0.3**
Others	329	0.4	**270**	**0.2**
Total cost of sales	74,514	100.0	**117,665**	**100.0**

By product

The following table sets forth our cost of sales by product category for the periods indicated:

	Year ended 31 December			
	2016		**2017**	
	RMB'000	*%*	***RMB'000***	***%***
Products sold				
Oil refining agents	40,695	54.6	**68,580**	**58.3**
Fuel additives	21,899	29.4	**19,893**	**16.9**
Products distributed				
Oil refining agents	4,642	6.2	**13,929**	**11.8**
Fuel additives	7,278	9.8	**15,263**	**13.0**
Total cost of sales	74,514	100.0	**117,665**	**100.0**

Our cost of sales for oil refining agents we sold increased by 68.5% from RMB40.7 million for the year ended 31 December 2016 to RMB68.6 million for the year ended 31 December 2017. This increase was primarily because: (i) we consumed higher volumes of raw materials as our sales volumes increased; and (ii) prices for MDEA increased for the year ended 31 December 2017.

Our cost of sales for fuel additives we sold decreased by 9.2% from RMB21.9 million for the year ended 31 December 2016 to RMB19.9 million for the year ended 31 December 2017. This decrease was primarily because prices for tall oil fatty acid decreased for the year ended 31 December 2017.

Our cost of sales for oil refining agents we distributed increased significantly from RMB4.6 million for the year ended 31 December 2016 to RMB13.9 million for the year ended 31 December 2017. This increase was primarily because sales volumes for desulfurizing agents increased and we thus purchased higher volumes of desulfurizing agents for distribution for the year ended 31 December 2017, partially offset by a decrease in purchase prices.

Our cost of sales for fuel additives we distributed substantially increased from RMB7.3 million for the year ended 31 December 2016 to RMB15.3 million for the year ended 31 December 2017. This increase was primarily because sales volumes for both diesel oil cetane number improvers and lubricity improvers increased and we thus purchased higher volumes of both products for distribution for the year ended 31 December 2017.

Gross profit and gross profit margin

For the years ended 31 December 2016 and 2017, our gross profit amounted to RMB61.1 million and RMB69.2 million, respectively. Our gross profit margin was 45.1% and 37.0%, respectively, for the same periods. The table below sets forth our gross profit and gross profit margin by product category for the periods indicated:

	Year ended 31 December			
	2016		**2017**	
	Gross profit *RMB'000*	Gross profit margin *%*	***Gross profit RMB'000***	***Gross profit margin %***
Products sold				
Oil refining agents	46,010	53.1	**43,596**	**38.9**
Fuel additives	12,074	35.5	**14,268**	**41.8**
Products distributed				
Oil refining agents	704	13.2	**4,668**	**25.1**
Fuel additives	2,348	24.4	**6,626**	**30.3**
Total gross profit/gross profit margin	61,136	45.1	**69,158**	**37.0**

MANAGEMENT DISCUSSION AND ANALYSIS

Our gross profit for oil refining agents we sold decreased by 5.2% from RMB46.0 million for the year ended 31 December 2016 to RMB43.6 million for the year ended 31 December 2017. Our gross profit margin decreased from 53.1% for the year ended 31 December 2016 to 38.9% for the year ended 31 December 2017 primarily because the gross profit margin in relation to the significant purchase order by one of our customers, an independent third party of the Company and a subsidiary of CNOOC, with whom we seek to develop a strategic relationship, was 10.7%, and purchase prices for MDEA, a key raw material, increased. Although the gross profit margin of the sale to this customer was relatively low, our Directors believe that it was still within the reasonable range given that the sale was a bulk purchase and it would help us build up a long-term relationship with this customer, who would likely bring us great competitive advantage in the future.

Our gross profit for fuel additives we sold increased by 18.2% from RMB12.1 million for the year ended 31 December 2016 to RMB14.3 million for the year ended 31 December 2017. Our gross profit margin increased from 35.5% for the year ended 31 December 2016 to 41.8% for the year ended 31 December 2017 primarily because prices for tall oil fatty acid decreased for the year ended 31 December 2017.

Our gross profit for oil refining agents we distributed substantially increased from RMB0.7 million for the year ended 31 December 2016 to RMB4.7 million for the year ended 31 December 2017. Our gross profit margin increased from 13.2% for the year ended 31 December 2016 to 25.1% for the year ended 31 December 2017 primarily because our gross profit margin for desulfurizing agents increased from 13.2% to 25.1% for the same periods due to a decrease in purchase prices, thereby raising our gross profit margin for the year ended 31 December 2017 as a whole.

Our gross profit for fuel additives we distributed substantially increased from RMB2.3 million for the year ended 31 December 2016 to RMB6.6 million for the year ended 31 December 2017. Our gross profit margin increased from 24.4% for the year ended 31 December 2016 to 30.3% for the year ended 31 December 2017 primarily because our gross profit margin for lubricity improvers increased by 9.7 percentage point.

Other income

Our other income decreased by 66.8% from RMB2.5 million for the year ended 31 December 2016 to RMB0.8 million for the year ended 31 December 2017 primarily because we recorded net foreign exchange gain of RMB1.6 million for the year ended 31 December 2016 and net foreign exchange loss of RMB0.4 million for the year ended 31 December 2017. Such loss was because our sales to and trade and bills receivables from foreign customers were mainly in U.S. dollars, which depreciated against Renminbi for the year ended 31 December 2017 compared to the appreciation for the year ended 31 December 2016. The loss was partially offset by the slight increase of RMB0.3 million in service income.

Sales and marketing expenses

The following table sets forth a breakdown of our sales and marketing expenses for the periods indicated:

	Year ended 31 December			
	2016		**2017**	
	RMB'000	*%*	***RMB'000***	***%***
Delivery costs	4,241	43.8	**4,862**	**64.4**
Hospitality and entertainment costs	1,738	18.0	**687**	**9.1**
Technical support fees	774	8.0	**—**	**—**
Labor and welfare	668	6.9	**536**	**7.1**
Travel expenses	486	5.0	**608**	**8.0**
Depreciation costs	521	5.4	**284**	**3.8**
Costs related to the tendering process	489	5.1	**433**	**5.7**
Conference and marketing	546	5.6	**2**	**0.1**
Others	217	2.2	**135**	**1.8**
Total sales and marketing expenses	9,680	100.0	**7,547**	**100.0**

Our sales and marketing expenses decreased by 22.0% from RMB9.7 million for the year ended 31 December 2016 to RMB7.5 million for the year ended 31 December 2017 primarily because of a decrease in the hospitality and entertainment costs of RMB1.1 million, a decrease in technical support fees of RMB0.8 million as we did not incur any expenses for the year ended 31 December 2017 in relation to consulting on the quality standards and technical requirements of one of our customers and a decrease in the costs related to conference and marketing of RMB0.5 million, partially offset by an increase in delivery costs of RMB0.6 million.

MANAGEMENT DISCUSSION AND ANALYSIS

General and administrative expenses

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended 31 December			
	2016		**2017**	
	RMB'000	%	**RMB'000**	**%**
Professional service fees	335	3.6	**13,988**	**63.9**
Labor and welfare	2,664	28.5	**2,636**	**12.0**
Taxes	1,532	16.3	**1,786**	**8.2**
Depreciation and amortization	1,615	17.2	**1,040**	**4.7**
Office and vehicles expenses	782	8.4	**737**	**3.4**
Hospitality and entertainment costs	745	7.9	**659**	**3.0**
Travel expenses	988	10.5	**482**	**2.2**
Bad debts	104	1.1	**(65)**	**(0.3)**
Others	607	6.5	**637**	**2.9**
Total general and administrative expenses	9,372	100.0	**21,900**	**100.0**

Our general and administrative expenses substantially increased from RMB9.4 million for the year ended 31 December 2016 to RMB21.9 million for the year ended 31 December 2017 primarily because of the increase of RMB13.7 million in professional service fees in relation to the Listing.

Research and development expenses

Our research and development expenses increased by 44.1% from RMB5.5 million for the year ended 31 December 2016 to RMB7.9 million for the year ended 31 December 2017 primarily due to an increase in our raw material costs for experimentation purposes increased by RMB1.6 million because the number of our customers increased and they had different requirements in product features, which consumed more raw materials to facilitate research activities. Our travel expenses and staff costs also increased by RMB0.3 million and RMB0.3 million, respectively.

Income tax expense

Our income tax expense decreased by 14.5% from RMB5.8 million for the year ended 31 December 2016 to RMB4.9 million for the year ended 31 December 2017 primarily because of a decrease in our profit before taxation. Our effective tax rate slightly increased from 14.8% for the year ended 31 December 2016 to 15.3% for the year ended 31 December 2017.

Profit for the year

As a result of the foregoing, our profit decreased by 17.9% from RMB33.3 million for the year ended 31 December 2016 to RMB27.4 million for the year ended 31 December 2017, and our net profit margin decreased from 24.6% to 14.7% during the same period.

Liquidity and Capital Resources

Selected items of the consolidated statements of financial position

The following table sets forth a summary of our assets and liabilities as of the dates indicated:

	As of 31 December	
	2016	**2017**
	RMB'000	***RMB'000***
Current Assets		
Inventories	16,966	**15,746**
Trade and other receivables	87,257	**91,954**
Available-for-sale financial assets	12,000	**—**
Cash and cash equivalents	2,372	**25,973**
Total current assets	118,595	**133,673**
Current liabilities		
Bank loans	—	**18,000**
Trade and other payables	38,797	**27,839**
Income tax payable	5,074	**4,038**
Total current liabilities	43,871	**49,877**
Net current assets	74,724	**83,796**

Our net current assets increased from RMB74.7 million as of 31 December 2016 to RMB83.8 million as of 31 December 2017. Our current asset increased from RMB118.6 million as of 31 December 2016 to RMB133.7 million as of 31 December 2017, mainly due to: (i) an increase in cash and cash equivalents of RMB23.6 million primarily from bank loans; and (ii) an increase in trade and other receivables of RMB4.7 million primarily because of increased sales, partially offset by a decrease of RMB12.0 million in available-for-sale financial assets. Our current liabilities increased from RMB43.9 million as of 31 December 2016 to RMB49.9 million as of 31 December 2017, mainly due to an increase of RMB18.0 million in bank loans, partially offset by a decrease of RMB11.0 million in trade and other payables.

Inventories

Our inventory decreased from RMB17.0 million for the year ended 31 December 2016 to RMB15.7 million for the year ended 31 December 2017.

Our raw materials increased from RMB9.5 million as of 31 December 2016 to RMB11.0 million as of 31 December 2017 mainly because we purchased more raw materials primarily MDEA, among others, to meet rising customer demand for our products. This trend corresponded to our increased revenue during the same period.

Our finished goods decreased from RMB6.1 million as of 31 December 2016 to RMB4.2 million as of 31 December 2017 primarily because of a decrease of RMB2.0 million in the inventory level of desulfurizing agents.

The following table sets forth the average turnover days of our inventories for the periods indicated:

	Year ended 31 December	
	2016	**2017**
	(days)	
Average turnover days of inventories [1]	70.9	**50.7**

Note:

(1) Average turnover days of inventories for a year equals average inventories divided by cost of sales for the year and multiplied by 365. Average inventories are calculated as inventories at the beginning of the year plus inventories at the end of the year, divided by two.

Our average turnover days of inventories decreased from 70.9 days in 2016 to 50.7 days in 2017 primarily because our sales volume increased while our inventory level remained relatively stable for the same periods.

Trade and other receivables

Our total trade and bills receivables increased from RMB63.0 million as of 31 December 2016 to RMB83.4 million as of 31 December 2017 primarily because of the increase in trade receivables of RMB23.6 million primarily due to the increased sales for the year ended 31 December 2017, partially offset by the decrease in bills receivables of RMB3.3 million.

The table below sets forth the average turnover days of our trade and bills receivables for the periods indicated:

	Year ended 31 December	
	2016	**2017**
	(days)	
Average turnover days of trade and bills receivables[1]	118.5	**122.2**

Note:

(1) Average turnover days of trade and bills receivables for a year equals average trade and bills receivables divided by revenue for the year and multiplied by 365. Average trade and bills receivables are calculated as trade and bills receivables at the beginning of the year plus trade and bills receivables at the end of the year, divided by two.

Our average turnover days of trade and bills receivables remained stable for the years ended 31 December 2016 and 2017.

Trade and other payables

Our trade and other payables decreased from RMB38.8 million as of 31 December 2016 to RMB27.8 million as of 31 December 2017 primarily due to the settlement of dividends payable amounting to RMB22.8 million, partially offset by: (i) an increase of RMB3.1 million in trade payables to our suppliers due to increased purchases; and (ii) an increase of RMB8.8 million in other payables and accruals primarily due to: (a) the unpaid listing expenses of RMB6.3 million; (b) the increase in tax payable of RMB0.8 million; and (c) the increase in employee compensation payable of RMB0.4 million.

As of 31 December 2017, our trade payables were unsecured, non-interest-bearing and repayable on demand. All trade payables are expected to be settled within one year.

The table below sets forth the average turnover days of trade payables for the periods indicated:

	Year ended 31 December	
	2016	**2017**
	(days)	
Average turnover days of trade payables[(1)]	22.6	**23.6**

Note:

(1) Average turnover days of trade payables for a year equals average trade payables divided by cost of sales for the year and multiplied by 365. Average trade payables are calculated as trade payables at the beginning of the year plus trade payables at the end of the year, divided by two.

Our average turnover days of trade payables remained stable for the years ended 31 December 2016 and 2017.

Key Financial Ratios

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

	As of 31 December	
	2016	**2017**
Return on equity [(1)]	31.7%	**26.4%**
Return on assets [(2)]	24.6%	**18.2%**
Current ratio [(3)]	2.7	**2.7**
Quick ratio [(4)]	2.3	**2.4**
Gross profit margin	45.1%	**37.0%**
Net profit margin	24.6%	**14.7%**

Notes:

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

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

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

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

Return on equity

Our return on equity decreased from 31.7% as of 31 December 2016 to 26.4% as of 31 December 2017 primarily because we experienced a decrease of 17.9% in net profit for the same period.

Return on assets

Our return on assets decreased from 24.6% as of 31 December 2016 to 18.2% as of 31 December 2017 primarily because we experienced a decrease of 17.9% in net profit and an increase of RMB13.0 million in total assets for the same period.

Current ratio

Our current ratio remained stable for the years ended 31 December 2016 and 2017.

Quick ratio

Our quick ratio remained stable for the years ended 31 December 2016 and 2017.

Capital Expenditures and Commitments

Capital expenditures

The following table sets forth our capital expenditures for the periods indicated:

	As of 31 December	
	2016	**2017**
	RMB'000	***RMB'000***
Purchase of items of property, plant and equipment	(2,818)	**(400)**
Total capital expenditures	(2,818)	**(400)**

Our capital expenditures amounted to RMB2.8 million and RMB0.4 million for the years ended 31 December 2016 and 2017, respectively. For the year ended 31 December 2017, our capital expenditures were spent on the purchase of analytical instruments in relation to quality control for our lubricity improvers.

Capital commitments

As at 31 December 2016 and 2017, we had no capital commitments.

Indebtedness

We had bank borrowings of RMB18.0 million and unutilized banking facilities of RMB2.0 million as of the date of this annual report. Such bank borrowings were guaranteed by a security interest over our land use rights and properties as collateral, as well as a personal guarantee by Mr. Ge Xiaojun and Ms. Gu Jufang. The personal guarantee was released on 26 September 2017.

Save as disclosed in note 23 to the consolidated financial statements. We did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities. Since 31 December 2017 and up to the date of this annual report, there has not been any material adverse change in our indebtedness.

Borrowings

The following table sets forth our total debts as at the dates indicated:

	As of 31 December	
	2016	**2017**
	RMB'000	***RMB'000***
Secured short-term bank borrowings	—	**18,000**

As of 31 December 2016, we did not have any bank borrowings. As of 31 December 2017, we had bank loans amounting to RMB18.0 million for our working capital needs.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Ge Xiaojun (葛曉軍), aged 54, is the chairman of the Board, the executive Director and the chief executive officer of the Company. Mr. Ge is primarily responsible for supervising the overall management, strategic planning and day-to-day operations of our Group. Mr. Ge has more than 30 years of sales and management experience in the oil refining agents and fuel additives industry. Prior to joining our Group, Mr. Ge held various positions in Yixing HanGuang Group (宜興市漢光集團) from February 1985 to August 1998, where he last served as a sales manager and was primarily responsible for sales of oil refining agents and fuel additive products. From August 1998 to December 2002, Mr. Ge was the supervisor of Yixing Innovation Refining Agent Co., Ltd. (宜興市創新煉化助劑有限公司) and primarily responsible for the overall management and operations. Mr. Ge has been serving as the executive director of Jiangsu Chuangxin Petrochemical Co., Ltd. (江蘇創新石化有限公司) since December 2002 and is primarily responsible for supervising the overall management, strategic planning and day-to-day operations. From December 2009 to June 2015, Mr. Ge served as a director and general manager of Jiangsu Suiquan Financing Assurance Co., Ltd. (江蘇穗全融資擔保有限公司). Mr. Ge also served as the chairman of the board of directors and general manager of Dalian Free Trade Zone Innovation Refining Agent Co., Ltd. (大連保稅區創新煉化助劑有限公司) ("**Dalian Innovation**") since April 2002. Mr. Ge held 38.76% of equity interest and served as a director in Dalian Innovation, with a capital contribution of RMB1.0 million. Dalian Innovation's business license was revoked in June 2006 due to the fact that it did not complete the annual enterprise inspection. The company was deregistered on 12 December 2017. Our Directors confirm that Dalian Innovation was solvent upon the deregistration.

Mr. Ge graduated with a bachelor degree (remote-education) of business administration from China University of Petroleum (Beijing) (中國石油大學 (北京)) in January 2016. Mr. Ge is qualified with a Senior Economist Certificate issued by Jiangsu Province Personnel Department (江蘇省人事廳) in 2009. Mr. Ge was awarded the title of Wuxi Outstanding Private Entrepreneur (優秀民營企業家) by Wuxi Municipal People's Government (無錫市人民政府) in April 2009.

Mr. Ge is the spouse of Ms. Gu Jufang who is also the executive Director of the Company. Mr. Ge holds 50% interest in Innovative Green Holdings, a Controlling Shareholder holding 75% interest in the Company.

Ms. Gu Jufang (顧菊芳), aged 54, is the executive Director and the general manager of the Company. Ms. Gu is primarily responsible for supervising the overall management and day-to-day operations of our Group. Ms. Gu has approximately 30 years of management experience in the oil refining agents and fuel additives industry. Prior to joining our Group, Ms. Gu held various positions in Yixing HanGuang Group (宜興市漢光集團) from February 1985 to August 1998, where she last served as the vice office manager and was primarily responsible for daily administrative affairs. Ms. Gu also served as a director of Dalian Innovation since April 2002. Ms. Gu has been serving as the general manager of Jiangsu Chuangxin Petrochemical Co., Ltd. (江蘇創新石化有限公司) since December 2002 and is primarily responsible for supervising the overall management and day-to-day operations. Ms. Gu has also been the supervisor of Jiangsu Suiquan Financing Assurance Co., Ltd. (江蘇穗全融資擔保有限公司) from December 2009 to June 2015.

Ms. Gu graduated from Suzhou Worker University of Science and Technology (蘇州職工科技大學) in July 2000 with a bachelor's degree and China University of Petroleum (Beijing) (中國石油大學 (北京)) in January 2013 with a diploma (remote-education), both majoring in business administration.

Ms. Gu is the spouse of Mr. Ge. Ms. Gu holds 50% interest in Innovative Green Holdings, a Controlling Shareholder holding 75% interest in the Company.

Mr. Huang Lei (黃磊), aged 49, is the executive Director and vice general manager of the Company. Mr. Huang is primarily responsible for research and development of our Group. Mr. Huang has more than 26 years of research and development experience in the oil refining agents and fuel additives industry. Prior to joining our Group, Mr. Huang held various positions in China Petrochemical Corporation Jiujiang Branch (中國石油化工集團公司九江分公司) from July 1990 to August 2010, where he last served as the vice manager of technology department and was primarily responsible for technology research. Mr. Huang has been the vice general manager of Jiangsu Chuangxin Petrochemical Co., Ltd. (江蘇創新石化有限公司) since September 2010 and is primarily responsible for technology research and development. Mr. Huang was granted Senior Engineer Qualification by China Petrochemical Corporation (中國石油化工集團公司) in November 2001. Mr. Huang was one of the main participants of several projects which were issued awards such as Advance Technology Award (Third Class) by China Petrochemical Corporation (中國石油化工集團公司) in 2007.

Mr. Huang graduated with a bachelor degree of chemical engineering from Dalian University of Technology (大連理工大學) in July 1990.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Jiang Caijun (蔣才君), aged 48, is the executive Director and vice general manager of the Company. Mr. Jiang is primarily responsible for sales and market development of our Group. Mr. Jiang has more than 20 years of sales and management experience. From 1988 to 2002, Mr. Jiang held various positions in Yixing HanGuang Group (宜興市漢光集團), where he last served as the office manager and the assistant general manager and was primarily responsible for daily administrative affairs. Mr. Jiang has been the vice general manager of Jiangsu Chuangxin Petrochemical Co., Ltd. (江蘇創新石化有限公司) since January 2003 and is primarily responsible for sales and marketing management.

Mr. Fan Yaqiang (范亞強), aged 46, is the executive Director and sales manager of the Company. Mr. Fan is primarily responsible for sales of our products. Mr. Fan has more than 14 years of sales experience in the oil refining agents and fuel additives industry. Prior to joining our Group, from September 1998 to December 1999, Mr. Fan served as the sales personnel at the sales department of Yixing HanGuang Group (宜興市漢光集團). From January 2000 to December 2002, Mr. Fan served as the sales manager of Yixing Chuangxin Lianhua Zhuji Co., Ltd. (宜興市創新煉化助劑有限公司). Mr. Fan has been the sales manager of Jiangsu Chuangxin Petrochemical Co., Ltd. (江蘇創新石化有限公司) since January 2003 and is primarily responsible for sales and market development.

Mr. Fan graduated from China University of Petroleum (Beijing) (中國石油大學 (北京)) in July 2016, with a diploma (remote-education) majoring in chemical engineering and technology.

Non-executive Director

Mr. Gu Yao (顧耀), aged 32, is the non-executive Director of the Company. Mr. Gu is primarily responsible for overseeing the strategic development of our Group. Mr. Gu has more than eight years of investment and financial management experience. Prior to joining our Group, Mr. Gu served as the finance manager of Yixing HanGuang Hi-Tech Petrochemical Co., Ltd (宜興漢光高新石化有限公司) from September 2008 to December 2011. From January 2012 to July 2016, Mr. Gu served as the investment manager of Shanghai Shambhala Investment Management Co., Ltd (上海尚寶投資管理有限公司). Mr. Gu has been the investment manager of Topsearch Printed Circuits (HK) Ltd (至卓飛高綫路板(香港)有限公司) since August 2016 and is primarily responsible for market development in the PRC.

Mr. Gu graduated from Shanghai University of Finance and Economics (上海對外貿易學院) in July 2008, majoring in finance.

Independent Non-executive Directors

Mr. Fan Peng (樊鵬), aged 35, was appointed as our independent non-executive Director on 7 March 2018. Mr. Fan has over ten years of experience in accounting and corporate financing. Since October 2017, he has been the chief financial officer of CashBUS (Cayman) Limited. Prior to that, he was the head of investor relations and capital markets of Dali Foods Group Company Limited, a company listed on the Stock Exchange (stock code: 3799), and was responsible for investor relations, corporate development, mergers and acquisitions. Before that, Mr. Fan was vice president of the corporate finance division of the Hong Kong Branch of Deutsche Bank AG. From May 2007 to December 2007, he was an analyst in the investment banking department of HSBC Markets (Asia) Limited. Mr. Fan was a business analyst in the investment banking group of Macquarie Investment Advisory (Beijing) Co, Ltd. from July 2006 to May 2007.

Mr. Fan graduated from Tsinghua University (清華大學), with a bachelor's degree in accounting and master's degree in business administration in July 2004 and July 2006, respectively.

Mr. Guan Dongtao (管東濤), aged 46, was appointed as our independent non-executive Director on 7 March 2018. Mr. Guan has over 24 years of experience in accounting and corporate financing. From September 1993 to August 1999, Mr. Guan served as the audit manager of Jiangsu Yixing Accounting Firm (江蘇宜興會計事務所). From August 1999 to August 2001, Mr. Guan served as the financial manager of Jiangsu Hengxin Technology Co., Ltd (江蘇亨鑫科技有限公司). From October 2001 to August 2007, Mr. Guan served as the financial manager of Shunte Electronic Co., Ltd. (順特電氣有限公司). From August 2007 to July 2008, Mr. Guan served as the chief accountant of Qianjiang Electronic Group Co., Ltd. (錢江電氣集團股份有限公司). From September 2008 to December 2012, Mr. Guan served as the financial manager of Jiangsu Junzhi Jishu Co., Ltd. (江蘇俊知技術有限公司), a company listed on the Stock Exchange (stock code: 01300). Since December 2012 till present, Mr. Guan is the chief financial officer of Flying Technology Co., Ltd. (展鵬科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603488).

Mr. Guan graduated from Soochow University (蘇州大學) in June 1993, with a bachelor's degree in economics (major in accounting). Mr. Guan was qualified as a certified public accountant of the People's Republic of China in 1994 and obtained a professional accounting certificate in 1998.

Ms. Wu Yan (吳燕), aged 41, was appointed as our independent non-executive Director on 7 March 2018. Ms. Wu has over 17 years of experience serving as a lawyer. Ms. Wu has served as a director in Jiangsu Manxiu Law office (Yixing) (江蘇漫修(宜興)律師事務所) since February 2008. She also worked at Jiangsu Jingxi Law office (江蘇荊溪律師事務所) from January 2001 to December 2007. Ms. Wu graduated from National Judges College (國家法官學院), with a college diploma of economics law in July 2000. Ms. Wu was qualified as a lawyer of the People's Republic of China in June 2001. She served as an independent non-executive director of Jiangsu Zhongchao Holding Co., Ltd. (江蘇中超控股有限公司) (stock code: 002471) since March 2015, and Jiangsu Gaoke Petrochemical Company Limited (江蘇高科石化股份有限公司) (stock code: 002778) since March 2017, both listed on the Shenzhen Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Li Jianjun (李建軍), aged 43, is the financial controller of the Company. Mr. Li is primarily responsible for financial matters of our Group. Mr. Li has more than 20 years of financial accounting experience. Mr. Li has been the financial controller of Jiangsu Chuangxin Petrochemical Co., Ltd. (江蘇創新石化有限公司) since August 2004 and is primarily responsible for financial matters of our Group.

Mr. Li graduated from Soochow University (蘇州大學) in July 1999, majoring in accounting. Mr. Li is an intermediate-level accountant certified by the Ministry of Finance of the PRC.

Mr. Tan Qian (談前), aged 47, is one of the joint company secretaries of the Company. Mr. Tan is primarily responsible for international trade matters, assisting the overall management and day-to-day operations of our Group. Mr. Tan has more than 20 years of international trade and administrative management experience as well as accounting experience. Prior to joining Jiangsu Chuangxin Petrochemical Co., Ltd. (江蘇創新石化有限公司) during the period from March 1995 to January 2007, Mr. Tan worked in Yixing Shunlang Property Development Co., Ltd. (宜興順浪物業發展有限公司) as the chief accountant and the assistant to the general manager, and was primarily responsible for accounting matters. Mr. Tan has been the international trade manager of Jiangsu Chuangxin Petrochemical Co., Ltd. (江蘇創新石化有限公司) since February 2007 and is currently also the supervisor and assistant to general manager of Jiangsu Chuangxin Petrochemical Co., Ltd. (江蘇創新石化有限公司). Mr. Tan is primarily responsible for international trade matters, assisting the overall management and day-to-day operations.

Mr. Tan graduated from Jiangsu Agricultural Broadcasting and Television School (江蘇省農業廣播電視學校) majoring in finance in July 1994 and from Nanjing Normal University (南京師範大學) majoring in English in December 1999. Mr. Tan was issued the Certificate of Accounting Profession by Yixing Municipal Finance Bureau (宜興市財政局) in 2005.

JOINT COMPANY SECRETARY

Ms. Ko Nga Kit (高雅潔), was appointed as one of the joint company secretaries of the Company on 10 April 2018. She is a vice president of SW Corporate Services Group Limited and has over 25 years of experience in the corporate services field.

Ms. Ko holds a bachelor's degree in laws and a post-graduate diploma in corporate compliance. She is a fellow member of both of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

REPORT OF THE DIRECTORS

The Directors are pleased to present this annual report together with the audited consolidated financial statements of our Group for the year ended 31 December 2017.

SHARE OFFER

The Company was incorporated in the Cayman Islands on 6 July 2017 as an exempted company with limited liability under the Cayman Islands Companies Law. The Shares were listed on the Main Board of the Stock Exchange on 28 March 2018.

PRINCIPAL PLACE OF BUSINESS AND PRINCIPAL ACTIVITIES

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.

Our principal place of business and headquarters is at No. 16 West Kaixuan Road, Economic Development Zone, Yixing, Jiangsu, the PRC. Our principal place of business in Hong Kong is at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

BUSINESS REVIEW AND RESULTS

A review of the business of our Group during the year is set out in the sections "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. A discussion on our Group's future business development is set out in the sections "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. An analysis of our Group's performance during the year using financial key performance indicators is set out in the section "Financial Summary" of this annual report.

The results of our Group for the year ended 31 December 2017 are set out in the section "Consolidated Statement of Profit or Loss and Other Comprehensive Income" of this annual report.

FINAL DIVIDENDS

The Board did not recommend to distribute any final dividend for the year ended 31 December 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 25 May 2018 to Wednesday, 30 May 2018, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the forthcoming AGM to be held on Wednesday, 30 May 2018. All transfers accompanied by the relevant Share certificates and transfer forms must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Thursday, 24 May 2018.

REPORT OF THE DIRECTORS

USE OF NET PROCEEDS FROM THE LISTING

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date with net proceeds received by the Company from the share offer in the amount of approximately HK$111.3 million after deducting underwriting commissions and all related expenses. The net proceeds received from the share offer will be used in the manner consistent with that disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Since the Listing Date and up to the date of this annual report (the "**Review Period**"), the net proceeds from the Listing were not applied for any use.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, sales to our largest customer accounted for 12.2% of our total revenue, and sales to our five largest customers accounted for 48.4% of our total revenue.

The following table sets forth the details of our major customers for the year ended 31 December 2017:

Rank	Customer	Group company	Major products sold	Approximate years of business relationship with our Group as of 31 December 2017	Credit term	Percentage of total revenue %
1	Customer A[1]	CNPC[1]	Oil refining agents and fuel additives	15	Cash on delivery	12.2%
2	Customer B	CNOOC	Oil refining agents	10	Open account ("**OA**") 30 days	10.6%
3	Khartoum Refinery Company Ltd.[2]	CNPC[2]	Oil refining agents	15	OA 90 days	10.5%

Notes:

(1) Customer A is held as to 28.44% indirectly by CNPC.

(2) Khartoum Refinery Company Ltd. is a joint venture company of CNPC. CNPC indirectly held 50% of interests of Khartoum Refinery Company Ltd. between July 1997 and May 2015, and has indirectly held 10% interests of Khartoum Refinery since May 2015.

For the year ended 31 December 2017, our Group's purchases from the largest supplier accounted for 26.3% of the total procurements, and purchases from five largest suppliers accounted for 60.8% of the total procurements.

The following table sets forth the details of our major suppliers for the year ended 31 December 2017:

Rank	**Supplier**	**Major products purchased**	**Approximate years of business relationship with our Group as of 31 December 2017**	**Percentage of total purchases** **%**
1	Supplier A	MDEA	7	26.3%
2	International Supplier	Desulfurizing agents	3	15.0%
3	Supplier B	Tall oil fatty acid	3	14.1%

To the best knowledge of the Directors, none of the Directors, their respective close associates or any Shareholders who own more than 5% of the Company's issued share capital, had any beneficial interest in any of our Group's five largest customers or suppliers aforementioned during the year.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of our Group during the year ended 31 December 2017 are set out in note 11 to the consolidated financial statements of this annual report.

SUBSIDIARIES

Details of the major subsidiaries of the Company as at 31 December 2017 are set out in note 13 to the consolidated financial statements of this annual report.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of our Group for the last four financial years is set out on page 128 in this annual report. As the Shares were listed on 28 March 2018 and the financial information for the year ended 31 December 2013 had not been published, the summary only covers the last four financial years instead of five financial years. This summary does not form part of the consolidated financial statements.

FINANCIAL STATEMENTS

The financial results of our Group for the year ended 31 December 2017 and the financial position of our Group as at that date are set out in the consolidated financial statements of this annual report.

A discussion and analysis of our Group's performance during the year and material factors underlying our results and financial position are set out in the section "Management Discussion and Analysis" of this annual report.

SHARE CAPITAL

Details of movements in the share capital of our Company during the year are set out in note 21 to the consolidated financial statements of this annual report.

CAPITAL STRUCTURE

Our Group generally finances its operations with internally generated funds and bank loans. The cash and bank balances as at 31 December 2017 amounted to RMB25,973,000 (31 December 2016: RMB2,372,000).

The total equity of our Group as at 31 December 2017 amounted to RMB107,311,000 (31 December 2016: RMB100,349,000). As at 31 December 2017, our Group had current assets of RMB133,673,000 (31 December 2016: RMB118,595,000) and current liabilities of RMB49,877,000 (31 December 2016: RMB43,871,000). The current ratio was 2.7 (31 December 2016: 2.7).

As at 31 December 2017, our Group had bank loan of approximately RMB18,000,000 with annual interest rates of 4.8%, which was repayable within one year. The gearing ratio as at 31 December 2017 was 11.5% (31 December 2016: nil), which was calculated by total borrowings divided by total assets.

As at 31 December 2017, our Group had unutilised bank facilities of RMB2,000,000 which could be drawn down by our Group to finance its operation when necessary.

DISTRIBUTABLE RESERVES

Details of movements in the reserves of our Group during the year ended 31 December 2017 are set out in the section "Consolidated Statement of Changes in Equity" of this annual report.

As at 31 December 2017, the Company did not have reserves available for distribution to the Shareholders of the Company.

CONTINGENT LIABLITIES

Our Group received USD payment from customers of our Group's sales to Sudan during 2013 and 2014, which exposed our Group to potential violations of Sudanese sanctions imposed by the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**"). Our Group has filed voluntary self-disclosure ("**VSD**") to OFAC in light of the potential violations on 19 September 2017. As of the date of this report, the VSD is still under review by OFAC and based on all the facts and circumstances and the assessment of our Group's international sanctions legal advisers, our Group is of the view that, the most likely results would be issuance by OFAC of a cautionary letter to close out the case without the imposition of any penalty; however, it is possible that a monetary fine up to US$438,968 will be required if OFAC were to decide to impose an administrative penalty on our Group. According to the above assessment, the directors do not consider it probable that the above administrative penalty will be imposed by OFAC and therefore no provision has been made in the consolidated financial statements for the contingent liabilities arising from the above potential violations during the years ended 31 December 2016 and 2017.

REPORT OF THE DIRECTORS

BANK LOANS

Particulars of bank loans and other borrowings of our Group as at 31 December 2017 are set out in note 18 to the consolidated financial statements of this annual report.

MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

There were no significant investments, acquisitions and disposals of our Group for the year ended 31 December 2017.

FOREIGN CURRENCY EXPOSURE

Our Group does not use any derivative financial instruments to hedge the risk of exchange rate changes for the year ended 31 December 2017. Details of the foreign currency exposure of our Group during the year ended 31 December 2017 are set out in note 22 to the consolidated financial statements of this annual report.

DIRECTORS

The following table sets forth the Directors at the date of this annual report:

Name	Age	Position	Appointment Date
Mr. Ge Xiaojun	54	Executive Director, Chairman and Chief Executive Officer	18 September 2017
Ms. Gu Jufang	54	Executive Director	18 September 2017
Mr. Huang Lei	49	Executive Director	18 September 2017
Mr. Jiang Caijun	48	Executive Director	18 September 2017
Mr. Fan Yaqiang	46	Executive Director	18 September 2017
Mr. Gu Yao	32	Non-executive Director	18 September 2017
Mr. Fan Peng	35	Independent non-executive Director	7 March 2018
Mr. Guan Dongtao	46	Independent non-executive Director	7 March 2018
Ms. Wu Yan	41	Independent non-executive Director	7 March 2018

The Company has received, from each of the independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and considers that all of the independent non-executive Directors are independent of the Company.

In accordance with Article 84 of the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at an annual general meeting at least once every three years.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out in the section "Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTER OF APPOINTMENTS

Each of Directors has entered into a service contract with the Company for a term of three years commencing from their respective date of appointment unless terminated by not less than one month's prior written notice by either party to the other.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with the Company or any of its subsidiaries other than agreements expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

None of Directors or entity connected with a Director had a material interest in, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of our Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2017.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2017, our Group had 76 employees. All of our employees were based in China. Our employees' remuneration has been paid in accordance with relevant laws and regulations in the PRC. Appropriate salaries and bonuses were paid with reference to the actual practices of the Company. Other corresponding benefits included pension, unemployment insurance and housing allowance, etc.

The Remuneration Committee was set up to make recommendation to our Board on the overall remuneration policy and structure for all Directors and senior management of our Group, review remuneration and ensure none of our Directors determine their own remuneration.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals are set out in notes 8 and 9 to the consolidated financial statements of this annual report respectively.

Remuneration paid to each of the two members of the senior management of the Company (except for five executive Directors) for the year ended 31 December 2017 is less than HK$1,000,000.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

During the Review Period, there were no changes to information which are required to be disclosed and had been disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51 (2) of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND THE ASSOCIATED CORPORATIONS OF THE COMPANY

As of the Listing Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

Name	Position	Nature of interest	Number of Shares (1)	Approximate percentage of shareholding in the same class of Shares (%)
Mr. Ge	Executive Director, Chairman and chief executive officer	Interest in controlled corporation(2)	360,000,000(L)	75%
Ms. Gu	Executive Director	Interest in controlled corporation(2)	360,000,000(L)	75%

Notes:

(1) The letter "L" denotes the entity/person's long position in the Shares.

(2) Innovative Green Holdings, a beneficial owner of 360,000,000 Shares, is owned as to 50% and 50% by Mr. Ge and Ms. Gu, respectively, and therefore each of Mr. Ge and Ms. Gu is deemed to be interested in the Shares held by Innovative Green Holdings by virtue of the SFO.

Save as disclosed above, as of the Listing Date, none of the Directors and the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations which will have to notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of the Listing Date, to the best knowledge of the Directors, the following persons (other than a Director or chief executive of the Company) or corporations had interests or short position in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	**Nature of interest**	**Number of Shares**(1)	**Approximate percentage of shareholding in the same class of Shares (%)**
Innovative Green Holdings(2)	Beneficial owner	360,000,000(L)	75%

Notes:

(1) The Letter "L" denotes the entity/person's long position in the Shares.

(2) Innovative Green Holdings Limited is owned as to 50% and 50% by Mr. Ge and Ms. Gu, respectively, and therefore each of Mr. Ge and Ms. Gu is deemed to be interested in the Shares held by Innovative Green Holdings by virtue of the SFO.

Save as disclosed above, as of the Listing Date, our Directors were not aware of any persons (other than a directors or chief executive of the Company) or corporations who had interests or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be recorded in the register referred to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Review Period were rights to acquire benefits by means of acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

RETIREMENT SCHEME

Our Group participates in pension scheme administered and operated by the local municipal government of the PRC. Contributions to this retirement plan are charged to profit or loss as they became payable in accordance with the rules of the central pension scheme. Our Group has no other material obligation for the payment of pension benefits associated with the scheme beyond the annual contributions described above.

CONTRACT OF SIGNIFICANCE

During the year, there had been no contract of significance between the Company and any of our Controlling Shareholders.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Listing Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Shares were listed on the Stock Exchange on 28 March 2018. Throughout the Review Period, none of the Company or any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CONNECTED TRANSACTIONS

There is no connected transaction between our substantial Shareholders or their associates and any member of our Group during the Reporting Period.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by our Group are set out in note 24 to the consolidated financial statements. The related party transactions did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement, independent Shareholders' approval or annual review requirements under the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Cayman Islands Companies Law, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders has confirmed to the Company that he/she/it has complied with the non-competition undertakings that he/she/it provided to the Company under the deed of non-competition dated 11 March 2018. Pursuant to the deed of non-competition, each of our Controlling Shareholders (collectively, the "**Covenantors**"), in favor of the Company (for itself and as trustee for each of the members of our Group), has irrevocably, unconditionally and severally undertaken with the Company that, among others, with effect from the Listing Date and for as long as the Shares remain listed on the Stock Exchange and the Covenantors are individually or collectively with any of their respective close associates interested directly or indirectly in not less than 30% of the issued ordinary share capital of the Company, (i) each Covenantor shall not, and shall procure that their respective close associates (other than members of our Group) will not directly or indirectly compete with our Group; and (ii) each of the Covenantors shall procure that any business investment or other commercial opportunity identified by or offered to the Covenantors and/or any of their close associates is first referred to the Company. Details of the deed of non-competition are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus dated 19 March 2018. The Company has received from each of the Convenantors a confirmation of their compliance with their undertakings under the deed of non-competition throughout the Review Period.

The independent non-executive Directors have reviewed the status of compliance and confirmed that all of these non-competition undertakings have been complied with by the Controlling Shareholders during the Review Period.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, none of the Directors had any interest in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of our Group.

COMPLIANCE WITH LAWS AND REGULATIONS

Our Group persists in maintaining good corporate governance and operating in compliance with the laws and integrity through abidance by relevant laws and regulations, industry regulations and business ethics.

For the year ended 31 December 2017 and up to the date of this annual report, save as those disclosed in the Prospectus dated 19 March 2018, the Company had not been and was not a party to any material legal, arbitral or administrative proceedings, and the Company was not aware of any pending or threatened legal, arbitral or administrative proceedings against the Company or any of the Directors which would have a material adverse effect on the Company's operations or financial condition.

Compliance with Key Regulatory Requirements

Key requirements	Compliance status
According to the Measures for the Implementation of the Permits for the Safe Use of Hazardous Chemicals (危險化學品安全使用許可證實施辦法), chemical enterprises (other than manufacturing enterprises of hazardous chemicals) which use hazardous chemicals in production and the amount of their consumption of hazardous chemicals has reached the quantitative standards of hazardous chemicals shall obtain the License for the Safe Use of Hazardous Chemicals (危險化學品安全使用許可證).	The Company complied with such requirement for the year ended 31 December 2017.
According to the Measures for the Administration of Permits for Trading in Hazardous Chemicals (危險化學品經營許可證管理辦法), enterprises carrying out the operation of hazardous chemicals without the License for the Safe Operation of Businesses Dealing in Hazardous Chemicals (危險化學品經營許可證) may be ordered by the production safety administrative authorities to stop their business activities.	The Company complied with such requirement for the year ended 31 December 2017.
According to the Interim Measures for the Administration of Pollutants Discharge Licenses (排污許可證管理暫行規定), enterprises directly or indirectly discharging industrial wastewater into water must obtain a pollutant discharge license.	The Company complied with such requirement for the year ended 31 December 2017.

PRINCIPAL RISKS AND UNCERTAINTIES

Liquidity risk and Credit risk

We enter into various contracts with different counterparties in the ordinary course of business, including suppliers and customers. If any of our counterparties default, this may negatively impact our revenue and profits and we may incur additional operating costs. Defaults by our customers may have an adverse effect on our business, financial position and results of operations. An extended delay in payment from any major customer may have a material and adverse effect on our cash flow and working capital.

Our operating cash flows may be adversely affected by a number of factors beyond our control, including but not limited to, what point in time our customers settle their payment with us, the market conditions and the macroeconomic environment. Our future liquidity, the payment of trade payables and repayment of any debt obligations, as they become due, will primarily depend on our ability to maintain adequate cash inflows from operating activities. If we are unable to maintain adequate cash inflows from operating activities, we may default on our payment obligations, which may materially and adversely affect our business, financial condition, results of operations and prospects.

Foreign currency risk

We are exposed to foreign currency risk primarily through purchases and sales which give rise to receivables and bank balances that are denominated in foreign currencies, namely, currencies other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are U.S. Dollars, Hong Kong dollars and Euros.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Our Group strictly complies with the requirements of Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules. For details of the Company's environmental policies and performance, please refer to the Environmental, Social and Governance Report of this annual report.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

INDEMNITY OF DIRECTORS

The Company has maintained appropriate Directors liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force.

CHARITABLE DONATIONS

For the year ended 31 December 2017, our Group made no charitable and other donations.

REPORT OF THE DIRECTORS

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 26 to the consolidated financial statements of this annual report, there are no significant subsequent events after the Reporting Period.

AUDIT COMMITTEE

The Audit Committee has reviewed and discussed with the management and external auditor, KPMG, the accounting principles and practices adopted by our Group, auditing, risk management and internal control systems and financial report matters including the review of our Group's annual results for the year ended 31 December 2017.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry to all Directors, the Directors have complied with the required standard set out in the Model Code throughout the Review Period.

CORPORATE GOVERNANCE

Throughout the Review Period, the Company complied with the code provisions (the "**Code Provisions**") as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules, except for provision A.2.1 of the Code Provisions. Details are set out in the section "Corporate Governance Report" of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors, as of the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITOR

The consolidated financial statements for the year ended 31 December 2017 have been audited by KPMG, who shall retire and being eligible, offer itself for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the forthcoming AGM.

On behalf of the Board
Ge Xiaojun
Chairman and Chief Executive Officer

21 April 2018

CORPORATE GOVERNANCE PRACTICES

Our Group is committed to maintain a high standard of corporate governance to protect the interest of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance. From the Listing Date and up to the date of this annual report, the Company has complied with the Code Provisions of the CG Code, except for the following deviation with considered reason as explained below:

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

THE BOARD

Board Composition

As at the date of this annual report, the Board comprises five executive Directors, namely Mr. Ge Xiaojun (Chairman and Chief Executive Officer), Ms. Gu Jufang, Mr. Huang Lei, Mr. Jiang Caijun and Mr. Fan Yaqiang; one non-executive Director, namely Mr. Gu Yao; and three independent non-executive Directors, namely Mr. Fan Peng, Mr. Guan Dongtao and Ms. Wu Yan.

The biographies of the Directors are set out in the section "Directors and Senior Management" of this annual report. Save as disclosed in the abovementioned section of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive of the Company.

Responsibilities

The Board is responsible for supervising the overall management, oversees our Group's strategic planning and monitors business and performance, as well as exercising other powers, functions and duties as conferred by the Articles. The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of our Group, and the training and continuous professional development of Directors and senior management of the Company. The Board also reviews the disclosures in this Corporate Governance Report to ensure compliance.

The Board has delegated the authority and responsibility for day-to-day operation of our Group to the executive Directors and senior management of the Company. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**"). The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference.

All Board members have separate and independent access to the Company's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Company's expense upon their request.

The senior management is responsible for the day-to-day management and operation of our Group.

As regards the Code Provision requiring directors to disclose the directorships and number and nature of offices they are concurrently holding at other companies or organizations, and other significant commitments as well as the identity to the issuer, the Directors have agreed to disclose the information and any subsequent change to the Company in a timely manner.

Independence of Independent Non-executive Directors

Since the Listing Date and up to the date of this annual report, the Company has been in compliance with the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

As at the date of this annual report, each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of them are independent under these independence criteria and are capable of effectively exercising independent judgement.

Board Diversity

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a Board diversity policy to ensure that the Company will, when determining the composition of the Board, consider Board diversity in terms of, among other things, gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge and length of service. The Board diversity policy sets out the approach towards achieving diversity on the Board. Pursuant to the Board diversity policy, all Board appointments will be based on merits and contribution that the selected candidates will bring to the Board, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity of the Board. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy.

Directors' Training and Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses. The Company will also provide Directors with briefings and updates on the latest development and changes regarding the Listing Rules and other applicable regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

All directors have received training regarding Listing Rules compliance offered by the Company's legal advisors before the Listing.

Appointment and Re-election of Directors

Each of the executive Directors, non-executive Director and independent non-executive Directors has signed a service contract with the Company for a term of three years subject to termination as provided in the service contract.

The appointments of executive Directors, non-executive Directors and independent non-executive Directors are subject to the provisions of retirement and rotation of the Directors under the Articles of Association and the applicable Listing Rules.

None of the Directors has a service contract which is not determinable by our Group within one year without payment of compensation (other than statutory compensation).

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

In accordance with the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation and shall be eligible for re-election and re-appointment provided that every Director shall be subject to retirement by rotation at least once every three years at every annual general meetings and any new Director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by Shareholders at the next general meeting after appointment.

Board Meetings

The Company intends to hold Board meetings regularly, at least four times a year. A notice will be given not less than fourteen days for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. A Director may attend the Boards meeting in person, or appoint another Director in writing as his proxy to attend the Board meeting. The joint company secretaries of the Company are responsible for preparing and keeping the documents and records of Board meetings. Draft minutes and final versions of each Board meeting and Board committee meeting will be sent to all Directors or committee members for their comments within a reasonable time after the date on which the meeting is held.

From the Listing Date and up to the date of this annual report, two Board meetings were held and no general meetings were held, and the attendance record of each Director is set out in the table below:

Directors	Attended/Eligible to attend the Board meeting(s)	Attended/Eligible to attend the general meeting(s)
Mr. Ge Xiaojun	2/2	N/A
Ms. Gu Jufang	2/2	N/A
Mr. Huang Lei	2/2	N/A
Mr. Jiang Caijun	2/2	N/A
Mr. Fan Yaqiang	2/2	N/A
Mr. Gu Yao	1/2	N/A
Mr. Fan Peng	2/2	N/A
Mr. Guan Dongtao	2/2	N/A
Ms. Wu Yan	2/2	N/A

Model Code for Securities Transactions

The Company has adopted the Model Code as rules governing dealings by the Directors in the listed securities of the Company. As the Shares were not listed on the Stock Exchange as at 31 December 2017, the rules under the Model Code that Directors shall observe do not apply to the Company for the year ended 31 December 2017.

All Directors have confirmed that they have fully complied with the required standards set out in the Model Code during the period from the Listing Date to the date of this annual report.

Service Contract of Directors

Each of the Directors has entered into a service contract with the Company pursuant to which each of them has agreed to act as Director for a fixed term of three years commencing from their respective date of appointment unless terminated by either party thereto giving not less than one month's prior written notice.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries other than agreements expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

BOARD COMMITTEES

The Board is supported by three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Each Board committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are respectively available on the websites of the Stock Exchange and the Company.

All Board committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Audit Committee

The Audit Committee comprises three members, namely Mr. Guan Dongtao (chairman), Mr. Fan Peng and Ms. Wu Yan, all being independent non-executive Directors.

The primary duties of the audit committee of the Company are to make recommendations to the Board on the appointment and dismissal of the external auditor, monitor and review the financial statements and information and oversee the financial reporting system, risk management and internal control systems of the Company.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

No meeting was held by the Audit Committee during the year ended 31 December 2017 as the Company was listed on the Main Board of the Stock Exchange on 28 March 2018 and the Audit Committee was set up on 11 March 2018. From the Listing Date and up to the date of this annual report, one Audit Committee meeting was held. Pursuant to the meeting of the Audit Committee held on 21 April 2018, all the members of the Audit Committee attended the meeting in person and the following matters have been discussed and considered:

- reviewed final results of the Company and its subsidiaries for the financial year as well as the audit report prepared by the auditor relating to accounting issues and major findings in the course of audit;
- reviewed the financial reporting system, compliance procedures, internal control systems (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management and processes and the re-appointment of the auditor.

Remuneration Committee

The Remuneration Committee comprises three members, including two independent non-executive Directors, namely Ms. Wu Yan (chairwoman), Mr. Guan Dongtao; and one executive Director, namely Ms. Gu Jufang.

The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure for all Directors and senior management of the Company, review remuneration and ensure none of the Directors determine their own remuneration.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

No meeting of the Remuneration Committee was held during the year ended 31 December 2017 as the Company was listed on the Main Board of the Stock Exchange on 28 March 2018 and the Remuneration Committee was set up on 11 March 2018. From the Listing Date and up to the date of this annual report, no Remuneration Committee meeting was held.

Nomination Committee

The Nomination Committee currently comprises three members, including one executive Director, namely Mr. Ge Xaojun (chairman); and two independent non-executive Directors, namely Ms. Wu Yan and Mr. Guan Dongtao.

The primary duties of the Nomination Committee are to review the structure, size, composition and diversity of the Board at least annually and make recommendation to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

No meeting of the Nomination Committee was held during the year ended 31 December 2017 as the Company was listed on the Main Board of the Stock Exchange on 28 March 2018 and the Nomination Committee was set up on 11 March 2018. From the Listing Date and up to the date of this annual report, one Nomination Committee meeting was held and all the members of the Nomination Committee attended the meeting in person.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the provision D.3.1 of the Code Provision.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, and the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and the disclosures in this Corporate Governance Report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration of the Directors and senior management are set out in notes 8 and 9 to the consolidated financial statements of this annual report.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Board acknowledges its responsibility for preparing the financial statements for the year ended 31 December 2017 which give a true and fair view of the affairs of the Company and our Group and of our Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Company's performance, positions and prospects.

To the best knowledge of the Directors, there are no material uncertainties relating to events or conditions which may cast significant doubt upon our Group's ability to continue as a going concern.

The statement by KPMG, our external auditor, regarding its reporting responsibilities on the consolidated financial statements of our Group is set out in the section "Independent Auditor's Report" of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Company has established risk management and internal control systems with relevant policies and procedures that we believe are appropriate for our business operations. We will continuously monitor and evaluate our business and take measures to protect the interest of our Group and the Shareholders. The Board oversees and manages the risks associated with our business. Audit Committee is responsible for reviewing and supervising our financial reporting process and internal control system.

In order to improve our corporate governance and to prevent the recurrence of non-compliance incidents in the future, we have adopted a series of internal control policies, procedures and programs designed to provide reasonable assurance for achieving objectives such as effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- We provided the Directors with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.
- We adopted various policies to ensure compliance with the Listing Rules, including those in relation to risk management, continuing connected transactions and information disclosure;
- We implemented internal control policies in relation to financial management;
- We implemented a series of internal rules and regulations in relation to our business operations, including those in relation to the management of our quality control, sales and marketing, production, procurement, research and development, human resources and information on technology systems; and

We implemented relevant policies in relation to our social insurance fund and housing provident fund to ensure future compliance.

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate internal control systems and risk management to protect Shareholders' investments and the Company's assets and reviewing the effectiveness of such systems on an annual basis.

The Board considers that the existing internal control systems is reasonably effective and adequate.

EXTERNAL AUDITOR

KPMG has been appointed as the external auditor of the Company. The Audit Committee has been notified of the nature and the service charges of the audit services performed by KPMG and considered that such services have no adverse effect on the independence of the external auditor.

The remuneration paid to the external auditor of the Company, KPMG, in respect of audit and non-audit services provided to our Group during the year ended 31 December 2017 was analyzed below:

Service category	**Fees paid/payable**
Audit services	**RMB**
– audit services on 2017 annual financial statements of our Group	300,000
– audit services on 2017 annual financial statements of China Grand New Material Holdings Limited	35,000
– related to the Listing	2,800,000
Non-audit services	–
	3,135,000

JOINT COMPANY SECRETARIES

Mr. Tan Qian (談前), primary corporate contact person of the Company, is one of the joint company secretaries. Ms. Ko Nga Kit (高雅潔) ("**Ms. Ko**"), a vice president of SW Corporate Services Group Limited, is the other joint company secretary of the Company. Our joint company secretaries are responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures as well as the applicable laws, rules and regulations are followed.

Ms. Ko has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

CONVENING EXTRAORDINARY GENERAL MEETINGS

Pursuant to the Articles of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has arranged directors' liability insurance for its Directors. The insurance covers the corresponding costs, charges, expenses and liabilities for any legal action against them arising out of our corporate activities.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of our Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The AGM provides an opportunity for the Shareholders to communicate directly with the Directors. The chairman of the Board and the chairman of the Board committees will attend the AGM to answer Shareholders' questions. The auditor will also attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

Pursuant to the resolutions of the Shareholders passed on 11 March 2018, the amended and restated memorandum of association was adopted with effect from the date of these resolutions and the Articles of Association were adopted with effect from the Listing Date. They are available on the website of the Stock Exchange and the Company.

INVESTOR RELATIONS

Since the Listing Date and up to the date of this annual report, the Company has maintained corporate transparency and communications with the Shareholders and the investment community through timely distribution of announcements and/or other publications. The Company's website provides an effective communication platform to keep abreast of the latest developments of the market.

ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarter of the Company at No.16 West Kaixuan Road, Economic Development Zone, Yixing, Jiangsu, the PRC (email address: hongming@188.com).

1. ANALYSIS OF ENVIRONMENTAL PERFORMANCE OF THE COMPANY

Jiangsu Innovative Ecological New Materials Limited (the "Company") is principally engaged in the development, production and sale of oil refining agents and fuel additives. The Company is committed to environmental protection, advocates energy saving and emission reduction, and has adopted and implemented a series of measures to ensure its compliance with standards of ISO certifications.

1.1 OVERVIEW OF RELEVANT ENVIRONMENTAL POLICIES IN KEY BUSINESS AREAS

Policies and Regulations	Date of issuance and Issuer	Main content
List of Classification and Management of Fixed Pollutant Discharge Permit (2017 edition)	28 July 2017, Ministry of Environmental Protection	It requires that 78 industries and 4 general procedures will be subject to discharge permit management by 2020. It also requires that in addition to these industries, enterprises identified as key pollutant discharge enterprises by relevant environmental protection authorities with discharge amount reaching prescribed standards shall also be subject to discharge permit management.
The 13th Five-Year Plan for the Development of National Environmental Protection Standards	10 April 2017, Ministry of Environmental Protection	The plan will facilitate the formulation and revision of about 900 environmental protection standards and the issuance of about 800 environmental protection standards, including about 100 quality standards and pollutant discharge (control) standards, about 400 environmental monitoring standards, and about 300 basic environmental standards and management standards.
Emission Standard of Air Pollutants for Urban Wastewater Treatment Plant (DB31/982-2016)	28 March 2016, Shanghai Environmental Protection Bureau and Shanghai Municipal Bureau of Quality and Technical Supervision	The standard specifies the requirements of emission limits, monitoring and operation management and monitoring of air pollutant for urban wastewater treatment plants as well as relevant regulations on implementation and supervision of such standard.

Policies and Regulations	Date of issuance and Issuer	Main content
Integrated Emissions Standards of Air Pollutants (DB31/933-2015)	30 November 2015, Shanghai Environmental Protection Bureau and Shanghai Municipal Bureau of Quality and Technical Supervision	The standard specifies the requirements of emission control, monitoring and supervision of air pollutant from fixed sources.
Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (amended in 2015)	29 August 2015, Standing Committee of the National People's Congress	Protecting and improving the environment, preventing and controlling air pollution, safeguarding public health, promoting the construction of ecological civilization, and promoting sustainable economic and social development.
Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (amended in 2015)	24 April 2015, Standing Committee of the National People's Congress	In order to prevent and control the solid waste pollution on the environment, China will reduce the amount of solid waste and minimize its impact by fully utilizing the solid waste under the principle of harmless disposal of solid waste, thereby facilitating the development of clean production and recycling economy.
Environmental Protection Law of the People's Republic of China (amended in 2014)	24 April 2014, Standing Committee of the National People's Congress	Protecting and improving the environment, preventing and controlling pollution and other public hazards, safeguarding public health, promoting the construction of ecological civilization, and promoting sustainable economic and social development.
Law of the People's Republic of China on Prevention and Control of Water Pollution (amended in 2008)	28 February 2008, Standing Committee of the National People's Congress	Preventing and controlling water pollution, protecting and improving the environment, ensuring the safety of drinking water, and promoting the coordinated and sustainable development of economy and society.

1.2 ANALYSIS OF EMISSIONS OF THE COMPANY

1.2.1 Analysis of Emission Indicators of the Company

Emission of exhaust gas

The Company's emission of exhaust gas is mainly from the combustion of gasoline and natural gas. The exhaust gas emitted from combustion of relevant fossil fuels mainly includes pollutants such as nitrogen oxides (NOx), sulfur oxides (SOx) and particulate matter (PM). In 2017, the Company emitted nitrogen oxides of 168.15 kilograms, sulfur oxides of 0.35 kilograms and particulate matter of 16.11 kilograms.

Emission of greenhouse gas

The Company generates greenhouse gas mainly from gasoline combustion and electricity consumption in operation. The emission of greenhouse gas includes direct emission of greenhouse gas and indirect emission of greenhouse gas. The Company's emission of greenhouse gas in 2017 is as follows:

Type of Greenhouse Gas	Scope 1 (Unit: ton of carbon dioxide equivalent)	Scope 2 (Unit: ton of carbon dioxide equivalent)
Carbon dioxide (CO2)	56.65	106.82
Methane (CH4)	0.13	0.02
Nitrous oxide (N2O)	7.55	0.51
Total	**64.33**	**107.35**

In 2017, the Company's total carbon emission amounted to approximately to 171.68 tons of carbon dioxide equivalent with emission density of 91.89 tons of carbon dioxide equivalent/ RMB100 million.

Hazardous waste

In 2017, the Company did not generate any hazardous waste in operation.

Non-hazardous waste

The non-hazardous waste generated in the Company's operation mainly includes wastewater. In 2017, the Company discharged a total of approximately 705.00 cubic meters of wastewater with emission density of approximately 377.36 cubic meters/RMB100 million. The Company holds the Permit for the Discharge into Drainage Networks of Urban Sewage (《城鎮污水排入排水管網許可證》) and the Permit for the Discharge of Sewage (《排污許可證》), and the wastewater discharged will be treated properly at local wastewater treatment plants in accordance with relevant national policies and regulations on environmental protection.

Measures of emission reduction and relevant progress

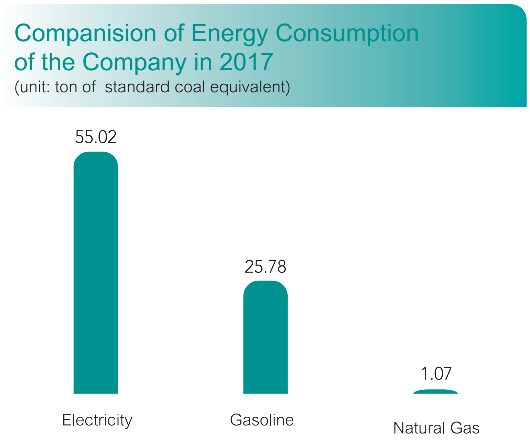
The Company adopts closed production techniques without any emission in the process of production. Nevertheless, the Company has installed the activated carbon gas absorption system in the filling workshop to further absorb minor gas escaped, thereby minimizing the possibility of pollutant emission.

1.3 ANALYSIS OF USE OF RESOURCE BY THE ENTERPRISE

1.3.1 Main Energy Consumption Structure of the Company

In 2017, the Company consumed a total of approximately 18.10 tons of fossil fuels in its operation, which included approximately 17.52 tons of gasoline and approximately 0.58 tons of natural gas. In addition, the Company consumed electricity of approximately 136,200 kWh and water of approximately 12,200 tons in its operation.

In 2017, the total energy consumed by the Company in its operation amounted to approximately 81.87 tons of standard coal equivalent, of which 67.2% was electricity, 31.5% was gasoline and 1.3% was natural gas.



1.3.2 Measures on Efficient Use of Energy Taken by the Company

In 2017, the company had been actively promoting the efficient use of energy. The company had emphasized the importance of efficient use of energy in previous work conferences, and had raised employees' awareness on energy conservation and environmental protection during production. Furthermore, the company had also vigorously advocated the efficient use of energy in its production management system and had implemented strict regulations on the procedures for the use of energy. For example, when operations that require temporary use of power has been completed, the relevant personnel should immediately inform the company's office to cut off the power .Increasing power load demand without permission and energy waste caused by the illegal use of power is strictly prohibited.

1.3.3 Analysis of Resource Utilisation Indicators of the Company

Total Energy Consumption and Density

Energy consumption of the Company in 2017 is shown in the table as below:

Unit	Total gasoline consumption of the Company in 2017
Litre (l)	24,000.00
Kilogram (kg)	17,520.00
Kilogram of coal equivalent (kgce)	25,778.93

Unit	Total natural gas consumption of the Company in 2017
Cubic meter (m3)	804.00
Kilogram (kg)	576.79
Kilogram of coal equivalent (kgce)	1,069.32

Unit	Total electricity consumption of the Company in 2017
Kilowatt hour (kWh)	136,200.00
Kilogram of coal equivalent (kgce)	55,024.80

In 2017, the Company's total energy consumption amounted to 81,873.05 kilograms of standard coal equivalent with energy consumption density of 4.38 kilograms of standard coal equivalent/RMB10,000.

In 2017, the Company's total water consumption amounted to 12,200 tons with energy consumption density of 0.65 tons/RMB10,000.

Usage of Suitable Water Sources

The Company uses suitable water sources in accordance with "Regulation on Administration of the Water Drawing Permit and the Levy of Water Resource Fee" without causing any problem.

Total Amount of Packaging Materials Used for Finished Products

The packaging materials used for the Company's products mainly include plastic barrels and metal cans. In 2017, the Company used approximately 62.00 tons of plastic and 556.00 tons of metal for packaging materials of finished products.

1.4 ANALYSIS OF ENTERPRISE ENVIRONMENT AND NATURAL RESOURCES

1.4.1 Analysis of Major Impacts of Business Activities on Environment and Natural Resources and Relevant Measures

The Company conducts its business operation in compliance with The relevant regulations of the "Catalog of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources" and "Law of The People's Republic of China on The Prevention and Control of Environmental Pollution by Solid Waste", and strictly handles the generated emissions and pollutants. All emissions and pollutants are tested and recorded in a detailed manner, and meet the requirements of national environmental protection regulations and emission standards without adversely affecting the environment and natural resources.

2 ANALYSIS OF CORPORATE SOCIAL RESPONSIBILITY

2.1 ANALYSIS OF EMPLOYMENT AND LABOUR CURRENT STATUS OF THE COMPANY

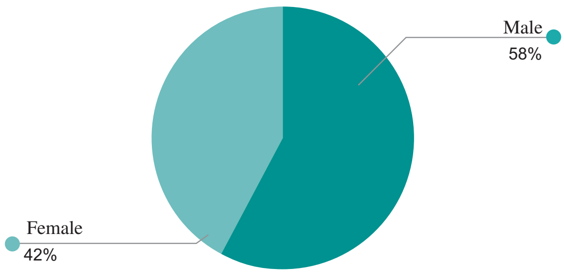
2.1.1 Overview of Employment Status and Labour Standards

The Company protects the rights and benefits of all employees in strict compliance with the "Labor Law of the People's Republic of China". The Company has formulated and implemented comprehensive employment rules and systems, and explicitly state the rights and obligations of its employees in the employee handbook. Based on the national allocation principles of "same pay for same job and more pay for more work" and "prioritizing efficiency with due consideration to fairness", the Company offers basic salary, performance salary and bonus as well as benefits such as allowance, festival gifts and free physical examination to its employees.

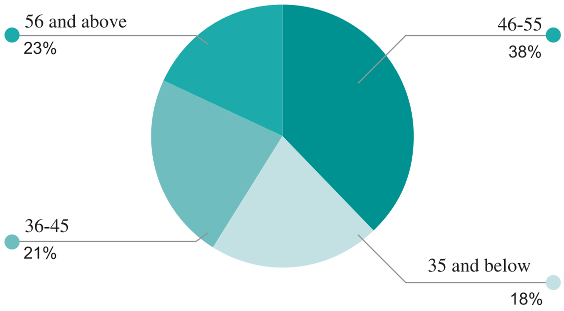
In addition, the Company makes timely and full contribution to employees' housing provident fund, endowment insurance, medical insurance, unemployment insurance and other social insurance in accordance with relevant regulations in accordance with the "Labor Law of the People's Republic of China". Apart from those disclosed under the subsection headed " Legal proceedings and compliance" in the section headed "Business" in the prospectus, the employees are also entitled to any salary, benefit and leaves (such as work-related injury leave, sick leave and marriage leave) conferred by relevant laws.

Details of Existing Employees by Major Indicators

Breakdown of Existing Employees of the Company by Major Indicators for 2017



Gender



Age Group

As of 31 December 2017, the total number of existing employees of the Company was 76.

The Company has a relatively balanced gender structure of employees with 44 male employees and 32 female employees, representing 58% and 42%, respectively, of the total number of employees. In order to create a favourable working environment for female employees, the Company strives to ensure that female employees are entitled to various leaves and insurance in accordance with relevant laws. The employee handbook of the Company provided that female employees shall be entitled to 90 days of normal maternity leave with additional 30 days of leave for late childbearing and additional 15 days of leave for each additional baby in case of multiparity. In addition, the Company actively carries out various cultural activities to enrich the leisure time of female employees and strives to create a more harmonious working environment.

The Company also maintains a reasonable age structure of employees with fairly even distribution among different age groups, which shows that the Company attaches importance to introducing young blood while valuing experienced employees.

Details of Employee Turnover by Major Indicators

As of 31 December 2017, the Company lost a total of five employees, representing 6.6% of the total number of existing employees. In order to motivate the employees, the Company provides regular benefits to its employees and honours employees with outstanding performance.

The Company has implemented a series of incentive policies such as incentive for outstanding employees and employees with multiple skills. Outstanding employees are preferred when considering promotion, and employees who are proficient in their positions while also possessing skills for other positions are provided with incentives such as salary increase and promotion.

2.1.2 Overview of Employees' Health and Safety Assurance

The Company consecutively passed the OHSAS18001 Occupational Health and Safety Management System Certification and strictly implements occupational health and safety management based on such standard. Meanwhile, the Company carries out safe production in strict accordance with the requirements of relevant safety supervision authorities, and is consecutively recognized as "III-Grade Enterprise of Work Safety Standardization"


安全生产标准化
Work Safety Standardization
证书
CERTIFICATE
证书编号：AQB320282WHⅢ2014000030
Certificate No.
江苏创新石化有限公司
安全生产标准化三级企业
is authorized as the III -grade enterprise of work safety standardization
有效期至：2020年1月19日
Expiration date
（发证单位盖章处）
2017年1月20日
国家安全生产监督管理总局监制
State Administration of Work Safety

In addition, the Company has actively established the safety responsibility rules for employees and formulated a series of duties and measures related to production safety including strictly implementing the work handover system, carefully inspecting different facilities and safety measures when handing over, strictly prohibiting and immediately dissuading or stopping non-compliant operation, refusing to execute non-compliant orders and reporting such non-compliance in a timely manner. Such safety responsibility rules for employees are published and strictly implemented within the Company.

Occupational Health and Safety Measures

– Providing full sets of safety and protective gear to employees:

The Company attaches great importance to the safe production activities of employees. Based on the list of safety gear, the Company provides full sets of safety and protective gear to its employees such as providing two masks, two pairs of cloth gloves and two pairs of rubber gloves to each employees per month as well as safety helmet, working uniform, raincoat and anti-fog goggles, thereby ensuring the work safety and physical health of employees.

– Conducting inspection of occupational disease hazards:

In 2017, the Company cooperated with Yixing Yi'an Occupational Safety Technology Company Limited to conduct inspection of occupational disease hazards, during which test of concentration (intensity) of occupational disease hazards was conducted in Workshop 1, Workshop2, laboratory, warehouse and other major working premises of the Company. Based on the test result, the level of concentration of


CMA
证书编号 161012050434
检 测 报 告
检测任务编号：2017（职）022号
样品名称：工作场所空气、物理因素
受检单位：江苏创新石化有限公司
检测类别：评价检测
宜兴市宜安职业安全技术有限公司
二零一七年三月二十三日

dust, benzene, toluene and xylene in all inspection points met the national requirement of GBZ 2.1-2007. In addition, the noise intensity in all inspection points met the national requirement of GBZ 2.2-2007. All inspection points in the Company have passed the standard check for dust, toxic substance and noise.

The above inspection report reflects that the Company has conducted effective management and control over production environment safety and occupational disease hazards prevention, meets the national requirements related to safety in every aspect of production, and effectively ensures the occupational health of its employees.

2.1.3 Overview of Employee Development and Training

In order to support the personal development of the employees, all business segments of the Company are required to organize or finance various kinds of on-the-job training or external training for employees each month:

– **Monthly team safety trainings:**

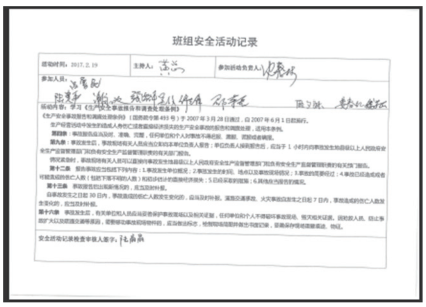
In 2017, the Company carried out team safety trainings every month to organize relevant employees to receive trainings on safe production laws and regulations, safety standardization, production safety risk management, rules and systems of the factory, safe usage of fire extinguisher, safety responsibility of team and employees and other relevant matters. Such trainings effectively improved the employees' key skills of safe production such as equipment operation, risk inspection and emergency response. In addition, through the study of safety laws, regulations, rules and systems, the safe production awareness of employees was further enhanced, which effectively minimized potential risks in production activities.


江苏创新石化有限公司

车间安全活动记录本

车间名称：生产车间

2017年1月制


班组安全活动记录

活动时间：2017.2.19 主持人： 参加活动负责人：

参加人员：

活动内容：学习《生产安全事故报告和调查处理条例》

安全活动记录检查审核人签字：

– **Fire emergency drill:**

In April 2017, the Company organized all employees to participate in firefighting knowledge training and fire drill in the factory. The activity included three parts, namely simulation of fire emergency evacuation and first aid, fire extinguisher practice for initial stage of fire and outdoor fire hydrant operation training, and covered three hours for training and fire drill with over 40 participants.

In this emergency drill, it took 20 minutes to evacuate from the fire scene and extinguish the fire, which effectively controlled the fire development in a timely manner, protected the personal safety and avoided property loss with clear division of duties. Satisfactory result was achieved from the emergency drill which deepened the understanding of fire safety knowledge of the Company's employees and improved their skills in usage of fire equipment.

2.1.4 Rules and Measures of Prevention of Child Labour or Forced Labour

The Company actively prevents child labour or forced labour during the business operation in strict accordance with relevant requirements of the laws, and adheres to the zero tolerance attitude to child labour and forced labour in any form. We also require the elimination of such issue in the assessments of suppliers.

2.2 ANALYSIS OF CURRENT STATUS OF OPERATIONAL MANAGEMENT

2.2.1 Overview of Supply Chain Management

The Company has set clear requirements on selection and management of suppliers to ensure standardized management and proper selection of suppliers and effective control over operational risks resulting from improper selection, unreasonable method or fraudulent practice of suppliers. The four most important factors considered by the Company in selection of suppliers are: (1) provision of products that meet the technical standards of the Company; (2) stable quality; (3) timely delivery; and (4) reasonable price and integrity. The Company conducts assessment on suppliers once a year, during which the procurement department, quality inspection department and technical department jointly assess the suppliers based on the list and basic information of suppliers provided by the procurement department and the quality information of suppliers provided by the quality inspection department, in order to determine the ability level of suppliers and their products, which is then reviewed by the responsible vice general manager and approved by the general manager and adopted as the basis of procurement for next year.

The Company currently has 315 suppliers in total, which include 312 domestic suppliers, two European suppliers and one Singaporean supplier.

The procurement department establishes a database of suppliers on the List of Qualified Suppliers which includes basic information of suppliers, summary of quality issues, product price and delivery record for long-term assessment of suppliers.

The quality inspection department records the quality information of products inspected. For substandard parts and components identified in the installation process, the quality inspection department will prepare the report of quality issues, and the after-sale service department will prepare the report of after-sale service quality. Such two reports will be maintained in the suppliers database of the procurement department as a major basis of supplier assessment in the future.

2.2.2 Overview of Product Safety Conditions

In 2017, no products sold by the Company were recalled for safety and health reasons, nor were there any complaints regarding product issues or service quality issues.

Upon receiving complaints, the Company shall promptly deal with the complaints in accordance with the "Management methods on after-sales services" Complaints regarding product quality issues will be promptly dealt with by the technical department based on the feedbacks received from the after-sales service team. As for the claims for compensation from customers, the after-sales service team will come up with a solution and shall act accordingly after being reviewed by the marketing director, deputy general manager and approved by the chairman. Furthermore, the after-sales service team shall promptly provide customers with the company's feedbacks and results regarding their complaints, to ensure customer satisfaction.

The Company had established a detailed patent management system covering five major aspects in accordance with the "Patent Law of the People's Republic of China" and the "Detailed Rules for the Implementation of the Patent Law of the People's Republic of China", including general patent management regulations, specific management terms, patent applications, patent licensing and patent protection , which effectively regulates the company's use of patent and protection mechanism.

2.2.3 Summary of Anti-corruption Measures of the Company

The Company requires employees at all positions to undertake their corresponding responsibilities to avoid conflict of interest with the Company and report to the Company in a timely manner in the event of conflict of interest. The employee handbook also specifies the provisions on punishment of non-compliance. During the Reporting Period, the Company saw no legal cases regarding corrupt practices .

2.3 OVERVIEW OF COMMUNITY INVESTMENT OF THE COMPANY

The Company fulfills its corporate social responsibility by participating in various charitable activities. Moreover, apart from creating a harmonious and favourable working environment for its employees, the Company also actively organizes its employees to participate in team building, elite development training, employee sports competition and other activities.

After the Wenchuan earthquake in 2008, the Company made donation for construction of the "Innovative Hope Primary School" in Ziyang City, Sichuan Province, which commenced its operation in September 2009. After completion of the school, the Company made another donation to establish a library, and purchased computers and other modern teaching facilities to establish the first e-learning classroom among all primary schools in the region. Before the Spring Festival in 2015, the Company donated nearly 10,000 blankets to teachers and students in the Innovative Hope Primary School, the Tibetans in high altitude area in Western China, the underprivileged in Northern Jiangsu and the elderly in Laojia Village, which provided warm and care to many households.


捐赠荣誉证

江苏创新石化有限公司：

捐赠 收讫。谨对 慷慨解囊，扶贫济困，奉献爱心，造福社会的义举，深表谢意，特发此证，以志纪念。

四川省慈善总会
SICHUAN CHARITY FEDERATION
年 月 日

In 2017, the Company donated RMB30,000 to the impoverished households in Benma Community of Qiting Subdistrict. In addition, Ms. Gu Jufang, the executive Director and the general manager of the Company, donated several hundreds of blankets to the impoverished households in this community in her own name. In January 2018, Ms. Gu Jufang donated RMB50,000 to Weidu Village in Dingshu Town for road construction.

Independent auditor's report
to the shareholders of Jiangsu Innovative Ecological New Materials Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Jiangsu Innovative Ecological New Materials Limited ("the Company") and its subsidiaries ("the Group") set out on pages 68 to 127, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

<table>
<tr><th colspan="2">Revenue recognition</th></tr>
<tr><td colspan="2">Refer to note 2(s) to the consolidated financial statements and the accounting policies on pages 86.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Group's revenue is mainly derived from sale of oil refining agents and fuel additives.

Management evaluates the terms of individual contracts in order to determine the appropriate timing for revenue recognition.

The Group recognises revenue from domestic sales when the goods are delivered to the customer's designated premises and accepted by these customers. The Group recognises revenue from export sales when the related risks and rewards of ownership of the goods have been transferred to the buyer which is generally considered to be when the goods are loaded on board a shipping vessel in line with contractual arrangements and related agreed commercial shipping terms.

We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations.</td><td>Our audit procedures to assess the recognition of revenue included the following:

• obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over revenue recognition;

• inspecting customer contracts, on a sample basis, to identify terms and conditions relating to the customers' acceptance of the goods and services provided by the Group and assessing the Group's timing of recognition of revenue with reference to the requirements of the prevailing accounting standards;

• comparing revenue transactions recorded during the current year, on a sample basis, with sales contracts and delivery documents which included the customers' acknowledgement of acceptance of the goods, shipping documents, customs declaration forms, and assessing the business substance of the underlying transactions and whether the related revenue had been recognised in accordance with the Group's revenue recognition accounting policies;

• comparing, on a sample basis, revenue transactions recorded before and after the reporting date with underlying delivery documents, which included the customers' acknowledgement of acceptance of the goods (for domestic sales) and shipping documents, which included bills of lading (for export sales) to determine whether the related revenue had been recognised in the appropriate financial period;</td></tr>
</table>

Revenue recognition	
Refer to note 2(s) to the consolidated financial statements and the accounting policies on pages 86.	
The Key Audit Matter	**How the matter was addressed in our audit**
	• inspecting the sales ledger after the year end to identify if there are any significant sales returns; and • inspecting underlying documentation for manual journal entries relating to revenue raised during the year which were considered to meet specific risk-based criteria.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Au Yat Fo.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong
21 April 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017
(Expressed in Renminbi Yuan)

	Note	**2017**	2016
		RMB'000	*RMB'000*
Revenue	4	**186,823**	135,650
Cost of sales		**(117,665)**	(74,514)
Gross profit		**69,158**	61,136
Other income	5	**846**	2,548
Sales and marketing expenses		**(7,547)**	(9,680)
General and administrative expenses		**(21,900)**	(9,372)
Research and development expenses	6(c)	**(7,941)**	(5,509)
Profit from operations		**32,616**	39,123
Finance costs	6(a)	**(297)**	—
Profit before taxation	6	**32,319**	39,123
Income tax	7	**(4,942)**	(5,777)
Profit for the year		**27,377**	33,346
Other comprehensive income for the year		**—**	—
Total comprehensive income for the year		**27,377**	33,346
Earnings per share	10		
Basic and diluted (RMB cents)		**7.60**	9.26

The notes on page 73 to 127 form part of these financial statements.

CONSOLIDATE STATEMENT OF FINANCIAL POSITION

at 31 December 2017

(Expressed in Renminbi Yuan)

	Note	**2017**	2016
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment	11	**19,565**	21,630
Lease prepayment	12	**3,504**	3,604
Deferred tax assets	20(b)	**446**	391
		23,515	25,625
Current assets			
Inventories	14	**15,746**	16,966
Trade and other receivables	15	**91,954**	87,257
Available-for-sale financial assets	16	**—**	12,000
Cash and cash equivalents	17	**25,973**	2,372
		133,673	118,595
Current liabilities			
Bank loan	18	**18,000**	—
Trade and other payables	19	**27,839**	38,797
Income tax payable	20(a)	**4,038**	5,074
		49,877	43,871
Net current assets		**83,796**	74,724
Total assets less current liabilities		**107,311**	100,349
NET ASSETS		**107,311**	100,349

The notes on page 73 to 127 form part of these financial statements.

CONSOLIDATE STATEMENT OF FINANCIAL POSITION *(continued)*

at 31 December 2017

(Expressed in Renminbi Yuan)

	Note	2017	2016
		RMB'000	*RMB'000*
CAPITAL AND RESERVES			
Share capital	21	**—**	79,938
Reserves	21	**107,311**	20,411
TOTAL EQUITY		**107,311**	100,349

Approved and authorised for issue by the board of directors on 21 April 2018.

	)	
Ge Xiaojun	)	
	)	Directors
Gu Jufang	)	
	)	

The notes on page 73 to 127 form part of these financial statements.

CONSOLIDATE STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017
(Expressed in Renminbi Yuan)

	Share capital RMB'000 *Note 21(c)*	Capital reserve RMB'000 *Note 21(d)*	PRC statutory reserve RMB'000 *Note 21(e)*	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2016	79,938	—	9,261	20,804	110,003
Profit for the year	—	—	—	33,346	33,346
Other comprehensive income	—	—	—	—	—
Total comprehensive income	—	—	—	33,346	33,346
Appropriation to reserve	—	—	3,334	(3,334)	—
Profit distribution (note 21(b))	—	—	—	(43,000)	(43,000)
Balance at 31 December 2016 and 1 January 2017	**79,938**	**—**	**12,595**	**7,816**	**100,349**
Profit for the year	—	—	—	27,377	27,377
Other comprehensive income	—	—	—	—	—
Total comprehensive income	—	—	—	27,377	27,377
Appropriation to reserve	—	—	2,738	(2,738)	—
Profit distribution (note 21(b))	—	—	—	(20,415)	(20,415)
Arising from the reorganisation (note 21(c))	(79,938)	79,938	—	—	—
Balance at 31 December 2017	**—**	**79,938**	**15,333**	**12,040**	**107,311**

The notes on page 73 to 127 form part of these financial statements.

CONSOLIDATE CASH FLOW STATEMENT

for the year ended 31 December 2017
(Expressed in Renminbi Yuan)

	Note	2017	2016
		RMB'000	RMB'000
Operating activities:			
Cash generated from operations	17(b)	**25,349**	14,866
Income tax paid	20(a)	**(6,033)**	(4,463)
Net cash generated from operating activities		**19,316**	10,403
Investing activities:			
Payment for purchase of property, plant and equipment		**(400)**	(2,818)
Proceeds from disposal of property, plant and equipment		**—**	15
Payment for investment in available-for-sale financial assets		**(26,150)**	(73,500)
Proceeds from disposal of available-for-sale financial assets		**38,150**	70,000
Advance to related parties		**(1,819)**	(6,320)
Proceeds from repayment of advance to related parties		**9,571**	6,606
Proceeds from repayment of advance to third parties		**1,000**	8,500
Interest received		**131**	295
Net cash generated from investing activities		**20,483**	2,778
Financing activities:			
Proceeds from bank loan	17(c)	**18,000**	—
Interest paid		**(277)**	—
Profit distribution	17(c)	**(33,937)**	(20,152)
Net cash used in financing activities		**(16,214)**	(20,152)
Net increase/(decrease) in cash and cash equivalents		**23,585**	(6,971)
Effect of foreign exchange rate changes		**16**	275
Cash and cash equivalents at beginning of the year	17(a)	**2,372**	9,068
Cash and cash equivalents at end of the year	17(a)	**25,973**	2,372

The notes on page 73 to 127 form part of these financial statements.

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

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 is an investment holding company and has not carried on any business since the date of its incorporation save for the Reorganization. The Company and its subsidiaries (together, "the Group") are principally engaged in the development, manufacture and sale of oil refining agents and fuel additives that are applied to reduce undesirable emissions and navigate the regulatory landscape.

Pursuant to the completion of various steps of the Reorganization on 12 September 2017 to rationalise the Group's structure in preparation for the public offering (the "Offering") of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies comprising the Group.

During the year ended 31 December 2017 and 2016, the Group's businesses were conducted through Jiangsu Chuangxin Petrochemical Co., Ltd. ("Jiangsu Chuangxin") established in the PRC, which was ultimately owned and controlled by Mr. Ge Xiaojun and his spouse, Ms. Gu Jufang (referred to as "the Controlling Shareholder").

As all the companies now comprising the Group that took part in the Reorganization were controlled by the same Controlling Shareholder before and after the Reorganization, there was a continuation of risks and benefits to the Controlling Shareholder. Accordingly, the Reorganization is considered to be a business combination under common control and Accounting Guideline 5 "Merger Accounting for Common Control Combinations". The financial statements have been prepared as if the Group has always been in existence and the net assets of the companies now comprising the Group are combined using the existing book values from the Controlling Shareholder's perspective.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated cash flow statement of the Group include the results of operations of the companies now comprising the Group as if the current group structure had been in existence throughout the year ended 31 December 2017 and 2016. The consolidated statements of financial position of the Group as at 31 December 2017 and 2016 have been prepared to present the state of affairs of the companies now comprising the Group as at those dates as if the current group structure had been in existence at the respective dates.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities 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 new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(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 and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

(i) Basis of measurement

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "Functional Currency"). The financial statements are presented in RMB, rounded to the nearest thousands, which is the presentation currency. The measurement basis used in the preparation of the financial statements is the historical cost basis except for available-for-sale financial assets (see Note 2(f)).

(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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

(ii) Use of estimates and judgments *(continued)*

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.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 17(c) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries *(continued)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j) (ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Business combinations involving entities under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Controlling Shareholder.

The assets and liabilities of the combining entities or businesses are combined at the carrying amounts previously recognised in the respective Controlling Shareholder's financial statements.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the earliest balance sheet date presented or when they first came under common control, whichever is later.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Available-for-sale financial assets

Available-for-sale financial assets are initially stated at fair value plus any directly attributable transaction costs. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Interest income from these financial assets is recognised using the effective interest method in profit or loss in accordance with the policy set out in note 2(s) (iii). When these financial assets are derecognised or impaired (note 2(j) (i)), the cumulative gain or loss is reclassified from equity to profit or loss.

(g) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the consolidated statements of financial position at cost less accumulated depreciation and impairment losses (see note 2(j) (ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

–	Plant and buildings	10 - 20 years
–	Machinery and equipment	10 years
–	Office and other equipment	5 years
–	Motor vehicles	5 years

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Property, plant and equipment *(continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see note 2(j) (ii)). Capitalization of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(h) Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses. Other development expenditure is recognised as an expense in the period in which it is incurred.

(i) Lease prepayment

Lease prepayment represents cost of land use rights paid to the PRC governmental authorities for acquiring land held under operating leases. Land use rights are carried at cost less accumulated amortisation and impairment losses (see note 2(j) (ii)).

Amortisation is charged to the profit or loss on a straight-line basis over the respective periods of the rights.

The following land use rights with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

– Land use rights	49.5 years

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of assets

(i) Impairment of available-for-sale financial assets and trade and other receivables

Available-for-sale financial assets and trade and other receivables are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganization;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of assets *(continued)*

(i) Impairment of available-for-sale financial assets and trade and other receivables *(continued)*

— For trade and other receivables carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. The Group assesses whether objective evidence of impairment exists for each individual financial asset. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of assets *(continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— lease prepayment; and,

— investments in subsidiaries in the company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(j) (i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value, and are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(p) Employee benefits

(i) Short-term employee benefits

Salaries and annual bonuses are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined contribution retirement plan

Contributions to PRC local retirement schemes pursuant to the relevant labor rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(q) Income tax

Income tax for the year or period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Income tax *(continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiary to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Income tax *(continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered and the related risks and rewards of ownership has been transferred to the buyer. Revenue excludes any government taxes and is after deduction of any trade discounts.

(ii) Service income

Revenue arising from services is recognised when the relevant service is rendered without further performance obligations.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(t) Government grants

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and consequently are recognised in profit or loss on a systematic basis over the useful life of the asset.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Translation of foreign currencies

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Related parties *(continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(b) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Impairment of trade receivables

Management estimates impairment losses of trade receivables (which are recorded in an allowance account for doubtful debts) resulting from the inability of the customers to make the required payments. Management bases its estimates on the ageing of the accounts receivable balance, payment terms, customer credit-worthiness, the status of customer's financial condition, and historical write-off experience. If the financial condition of the customers was to deteriorate, actual write-offs may be higher than expected and could significantly affect the results of future periods.

3 SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES *(continued)*

(b) Sources of estimation uncertainty *(continued)*

(ii) Net realizable value of inventories

As described in note 2(k), net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

Management reassesses these estimations at the end of each reporting period to ensure inventory is shown at the lower of cost and net realizable value.

4 REVENUE

(a) The amount of each significant category of revenue recognised is as follows:

	2017	2016
	RMB'000	RMB'000
Sales of oil refining agents	**130,773**	92,051
Sales of fuel additives	**56,050**	43,599
Total	**186,823**	135,650

The Group's customer base included three customers with which transactions had exceeded 10 percent of the Group's revenues for the year ended 31 December 2017 presented as below:

	2017	2016
	RMB'000	*RMB'000*
Customer A	**22,719**	17,244
Customer B	**19,775**	*
Customer C	**19,633**	29,555
Customer D	*****	24,177

* Less than 10 percent of the Group's revenue for the corresponding reporting period.

Details of concentrations of credit risk arising from these customers are set out in note 22(a).

4 REVENUE *(continued)*

(b) Information about geographical area

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of revenue is based on the selling location. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of lease prepayment. During the year ended 31 December 2017, substantially all specified non-current assets were physically located in the PRC.

	2017	2016
	RMB'000	*RMB'000*
Mainland China	**163,300**	102,680
Sudan	**21,060**	29,555
Other countries and regions	**2,463**	3,415
Total	**186,823**	135,650

(c) Segment reporting

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

5 OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
Service income	**599**	283
Government grants	**500**	414
Net foreign exchange (loss)/gain	**(354)**	1,556
Interest income from bank deposits	**31**	27
Interest income from available-for-sale financial assets	**100**	268
Others	**(30)**	—
Total	**846**	2,548

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2017	2016
	RMB'000	*RMB'000*
Interest on bank loan	**297**	—

(b) Staff costs

	2017	2016
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**4,995**	4,712
Contributions to defined contribution plans (i)	**978**	1,153
	5,973	5,865

(i) Employees of the 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

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories (i) (note 14(b))	**122,604**	77,867
Research and development expenses	**7,941**	5,509
Depreciation	**2,465**	3,168
Amortization of lease prepayment	**100**	100
Impairment losses of trade receivables (reversed)/recognised	**(64)**	104
Listing expenses	**13,354**	—
Auditors' remuneration	**7**	7

6 PROFIT BEFORE TAXATION *(continued)*

(c) Other items *(continued)*

(i) Cost of inventories includes the following amounts, which are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

	2017	2016
	RMB'000	*RMB'000*
Staff costs	**1,378**	1,418
Depreciation and amortization	**350**	305
Research and development expenses	**4,939**	3,353

7 INCOME TAX

(a) Income tax in the consolidated statements of profit or loss and other comprehensive income represents:

	2017	2016
	RMB'000	*RMB'000*
Current tax:		
Provision for current income tax for the year (note 20(a))	**4,997**	5,746
Deferred tax:		
Origination and reversal of temporary differences (note 20(b))	**(55)**	31
	4,942	5,777

7 INCOME TAX *(continued)*

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

	2017	2016
	RMB'000	*RMB'000*
Profit before taxation	**32,319**	39,123
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned (i)	**8,080**	9,781
Tax effect of preferential tax rate (ii)	**(3,232)**	(3,912)
Tax effect of non-deductible expenses	**719**	266
Additional deduction for qualified research and development costs (iii)	**(625)**	(358)
Actual income tax expense	**4,942**	5,777

(i) Jiangsu Chuangxin is subject to the PRC corporate income tax rate of 25%.

(ii) According to the PRC Corporate Income Tax Law and its relevant regulations, entities that are qualified as High and New Technology Enterprise under the tax law are entitled to a preferential income tax rate of 15%. Jiangsu Chuangxin obtained the approval of High and New Technology Enterprise in 2013 with an effective period of three years from 2013 to 2015 and obtained the renewed approval of High and New Technology Enterprise in 2016 with another effective period of three years from 2016 to 2018. Therefore, Jiangsu Chuangxin was entitled to a preferential income tax rate of 15% for the two years ended 31 December 2017 and 2016.

(iii) Under the PRC Corporate Income Tax Law and its relevant regulations, 50% additional tax deduction is allowed for qualified research and development costs for the years ended 31 December 2017 and 2016.

8 DIRECTOR'S EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2017

	Director's fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Ge Xiaojun	—	111	30	23	164
Ms. Gu Jufang	—	96	28	—	124
Mr. Huang Lei	—	111	38	23	172
Mr. Jiang Caijun	—	111	38	23	172
Mr. Fan Yaqiang	—	72	17	15	104
Non-executive director					
Mr. Gu Yao	36	—	—	—	36
	36	501	151	84	772

Year ended 31 December 2016

	Director's fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director					
Mr. Ge Xiaojun	—	110	30	24	164

Mr. Ge Xiaojun, Ms. Gu Jufang, Mr. Huang Lei, Mr. Jiang Caijun and Mr. Fan Yaqiang were appointed as executive directors of the Company on 18 September 2017.

Mr. Gu Yao was appointed as non-executive directors of the Company on 18 September 2017.

No director of the Group waived or agreed to waive any emoluments during the year.

During the year, there was no amount paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2016: one) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2016: four) individuals are as follows:

	2017	2016
	RMB'000	*RMB'000*
Salaries, allowance and benefits in kind	**223**	440
Discretionary bonuses	**34**	112
Retirement scheme contributions	**46**	96
	303	648

The emoluments of the two (2016: four) individuals with the highest emoluments are within the following band:

	2017	2016
	Number of individuals	*Number of individuals*
Nil - HKD1,000,000	**2**	4

10 EARNINGS PER SHARE

The calculation of basic earnings per share for the years ended 31 December 2017 and 2016 is based on the profit attributable to equity shareholder of the Company for the years ended 31 December 2017 and 2016, and 360,000,000 shares in issue assuming that the Capitalization Issue (Note 26 (a)) had been completed and the 360,000,000 shares had been outstanding throughout the periods presented.

There were no dilutive potential ordinary shares for the years ended 31 December 2017 and 2016; therefore, diluted earnings per share are equivalent to basic earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:					
At 1 January 2016	22,973	13,421	3,763	12,328	52,485
Additions	248	1,590	213	767	2,818
Disposals	—	—	—	(152)	(152)
At 31 December 2016 and 1 January 2017	23,221	15,011	3,976	12,943	55,151
Additions	—	—	400	—	400
At 31 December 2017	23,221	15,011	4,376	12,943	55,551
Accumulated depreciation:					
At 1 January 2016	(9,975)	(8,296)	(2,193)	(10,026)	(30,490)
Charge for the year	(1,035)	(735)	(398)	(1,000)	(3,168)
Written back on disposals	—	—	—	137	137
At 31 December 2016 and 1 January 2017	(11,010)	(9,031)	(2,591)	(10,889)	(33,521)
Charge for the year	(1,050)	(635)	(373)	(407)	(2,465)
At 31 December 2017	(12,060)	(9,666)	(2,964)	(11,296)	(35,986)
Net book value:					
At 31 December 2017	11,161	5,345	1,412	1,647	19,565
At 31 December 2016	12,211	5,980	1,385	2,054	21,630

At 31 December 2017, certain properties of the Group with a carrying amount of RMB 5,195,000 (2016: RMB nil) were pledged to secure the bank loan of the Group as detailed in Note 18.

12 LEASE PREPAYMENT

	2017	2016
	RMB'000	*RMB'000*
At 1 January and 31 December	**5,005**	5,005
Accumulated amortization:		
At 1 January	**(1,401)**	(1,301)
Charge for the year	**(100)**	(100)
At 31 December	**(1,501)**	(1,401)
Net book value:		
At 31 December	**3,504**	3,604

The Group's leasehold land is located in the PRC. The Group was formally granted by the relevant PRC authorities of the right to use the land on which the Group's factories and infrastructures are erected for a period of 49.5 years.

At 31 December 2017, the land use right of the Group with a carrying amount of RMB 3,504,000 (2016: RMB nil) was pledged to secure the bank loan of the Group as detailed in Note 18.

13 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment	Registered capital/ issued and fully paid up capital	Equity attributable to the Company: Direct	Equity attributable to the Company: Indirect	Principal activities
Innovative Green Group Holdings Limited	The British Virgin Islands 6 July 2017	50,000 shares of USD 1 each/USD 1	100%	—	Investment holding
China Grand New Material Holdings Limited	Hong Kong 4 August 2017	1 share	—	100%	Investment holding
Jiangsu Chuangxin Petrochemical Co., Ltd. * 江蘇創新石化有限公司	The PRC 31 December 2002	USD 20,000,000/ USD 12,000,000	—	100%	Developing and manufacturing oil refining agents and fuel additives

* The official name of the company is in Chinese. The English translation of the name is for reference only.

14 INVENTORIES

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

	2017	2016
	RMB'000	*RMB'000*
Raw materials	**11,012**	9,482
Work in progress	**349**	655
Finished goods	**4,206**	6,095
Consignment goods	**179**	734
	15,746	16,966

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

	2017	2016
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**117,691**	74,767
Write-down of inventories	**26**	3
Reversal of write-down of inventories	**(52)**	(256)
Cost of inventories directly recognised as research and development expenses	**4,939**	3,353
	122,604	77,867

15 TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	RMB'000
Trade receivables (note (a))	79,879	56,293
Less: Allowance for doubtful debts (note(b))	(48)	(112)
	79,831	56,181
Bills receivables (note (d))	3,550	6,835
Total trade receivables	83,381	63,016
Amounts due from related parties – non-trade (note 24(b))	—	16,145
Other receivables	3,591	5,153
Deposits and prepayments	4,982	2,943
Trade and other receivables, net	91,954	87,257

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

The amounts due from related parties are unsecured, non-interest bearing and repayable on demand.

(a) Ageing analysis

As at the end of each reporting period, the ageing analysis of trade receivables, based on the invoice date, is as follows:

	2017	2016
	RMB'000	RMB'000
Within 3 months	41,781	40,912
After 3 months but within 6 months	27,725	10,130
After 6 months but within 1 year	9,967	4,165
After 1 year but within 2 years	389	1,069
After 2 years	17	17
Trade receivables	79,879	56,293
Less: Allowance for doubtful debts	(48)	(112)
Trade receivables, net	79,831	56,181

Further details on the Group's credit policy are set out in note 22(a).

15 TRADE AND OTHER RECEIVABLES *(continued)*

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (note 2(j) (i)).

The movement in the allowance for doubtful debts during the year, representing the collective loss component, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Balance at beginning of the year	**112**	8
Impairment losses (reversed)/recognised	**(64)**	104
Balance at end of the year	**48**	112

As at 31 December 2017 and 2016, no trade receivables was individually determined to be impaired.

(c) Trade receivables that are not impaired:

The ageing analysis of trade account receivables that are neither individually nor collectively considered to be impaired are as follows:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**20,250**	16,389
Less than 6 months past due	**56,394**	35,352
6 to 12 months past due	**2,829**	3,466
Total amount past due but not impaired	**59,223**	38,818
	79,473	55,207

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of material default.

15 TRADE AND OTHER RECEIVABLES *(continued)*

(c) Trade receivables that are not impaired: *(continued)*

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good payment track records with the Group and did not encounter financial difficulty or fail to fulfill their repayment plan. Based on past experience with these customers and evaluation of their current creditability, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(d) 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 2017 and 2016, 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 and had discharged its obligation of the payables 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 2017, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB 3,050,000 (2016: RMB 1,500,000).

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	RMB'000	*RMB'000*
Wealth management products	**—**	12,000

Available-for-sale financial assets comprise the investment in one principal non-guaranteed wealth management product issued by a state-owned bank in the PRC, which is a highly liquid investment with floating interest. The directors consider that the carrying amounts of the investments in wealth management products carried at cost are not materially different from their fair values as at 31 December 2016, due to high liquidity of this instrument.

17 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2017	2016
	RMB'000	*RMB'000*
Cash at banks and on hand	**25,973**	2,372

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

	Note	**2017**	2016
		RMB'000	*RMB'000*
Profit before taxation		**32,319**	39,123
Adjustments for:			
Depreciation	6(c)	**2,465**	3,168
Amortization of lease prepayment	6(c)	**100**	100
Reversal of write-down of inventories	14(b)	**(26)**	(253)
Finance costs		**297**	—
Interest income	5	**(131)**	(295)
Foreign exchange differences		**(16)**	(275)
Changes in working capital:			
Decrease/(increase) in inventories		**1,246**	(4,749)
Increase in trade and other receivables		**(21,842)**	(24,821)
Increase in trade and other payables		**10,937**	2,868
Cash generated from operations		**25,349**	14,866

17 CASH AND CASH EQUIVALENTS *(continued)*

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

	Bank loan *RMB'000* *(Note 18)*	Dividends payable *RMB'000* *(Note 19)*	Total *RMB'000*
Balance at 1 January 2016	—	—	—
Non-cash changes			
– Profit distributions (note 21(b))	—	43,000	43,000
Cash flows			
– Outflow from financing activities	—	(20,152)	(20,152)
Balance at 31 December 2016 and 1 January 2017	—	22,848	22,848
Non-cash changes			
– Profit distributions (note 21(b))	—	20,415	20,415
– Settlement of dividends payable against amounts due from the Controlling Shareholder (i)	—	(9,326)	(9,326)
Cash flows			
– Inflow from financing activities	18,000	—	18,000
– Outflow from financing activities	—	(33,937)	(33,937)
Balance at 31 December 2017	18,000	—	18,000

(i) Pursuant to a debt transfer and set-off agreement entered into on 7 September 2017 among the Group, Full Success International Limited ("Full Success"), the then equity shareholder of Jiangsu Chuangxin and the Controlling Shareholder of the Group, the Group's dividend payables to Full Success of RMB 9,326,000, less related withholding tax, was offset by its amounts due from the Controlling Shareholder of RMB 8,393,000.

18 BANK LOAN

As at 31 December 2017, the bank loan represented a one-year loan of RMB 18,000,000 with annual interest rate of 4.80% borrowed from a state-owned commercial bank in the PRC pledged by the land use rights and properties of the Group. The carrying amounts of land use rights and properties of the Group pledged amounted to RMB 3,504,000 and RMB 5,195,000 respectively as at 31 December 2017.

19 TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables (note (a))	**9,171**	6,071
Other payables and accruals	**18,668**	9,878
Dividends payable	**—**	22,848
Trade and other payables	**27,839**	38,797

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:

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**7,401**	5,617
After 3 months but within 6 months	**1,251**	411
After 6 months but within 1 year	**163**	43
Over 1 year but within 2 years	**356**	—
Trade payables	**9,171**	6,071

20 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	2017	2016
	RMB'000	*RMB'000*
Balance at 1 January	**5,074**	3,791
Provision for current income tax for the year (note 7(a))	**4,997**	5,746
Payment during the year	**(6,033)**	(4,463)
Balance at 31 December	**4,038**	5,074

(b) Deferred tax assets recognised:

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

Deferred tax arising from:	**Allowance for doubtful debts**	**Inventory provision**	**Accrued expenses and other payables**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2016	1	210	211	422
Credited/(charged) to profit or loss (note 7(a))	16	(164)	117	(31)
Balance at 31 December 2016 and 1 January 2017	17	46	328	391
(Charged)/credited to profit or loss (note 7(a))	(10)	(7)	72	55
Balance at 31 December 2017	7	39	400	446

20 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(continued)*

(b) Deferred tax assets recognised: *(continued)*

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

	2017	2016
	RMB'000	*RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	**446**	391
Net deferred tax liabilities recognised in the consolidated statements of financial position	**—**	—
	446	391

(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 2017 in respect of undistributed earnings of RMB 12,040,000 (2016: RMB 7,816,000) 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.

21 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the company's individual components of equity between the beginning and the end of the year are set out below:

The company	Share capital	Accumulated losses	Total Equity - deficit
	RMB'000	*RMB'000*	*RMB'000*
	Note 25	*Note 25*	
Balance at 1 January 2016, 31 December 2016 and 1 January 2017	—	—	—
Total comprehensive income (note 25)	—	(52)	(52)
Arising from the reorganisation(note 25)	—*	—	—
Balance at 31 December 2017	—*	(52)	(52)

* The balances represented amount less than RMB 1,000.

(b) Profit distribution

Dividends for the year represent dividends declared and approved by the subsidiary to its then equity shareholder:

	2017	2016
	RMB'000	*RMB'000*
Dividends declared and approved during the year		
Jiangsu Chuangxin	**20,415**	43,000

Dividends of RMB 20,415,000 and RMB 43,000,000 were declared and approved by Jiangsu Chuangxin in respect of the year ended 31 December 2017 and 2016 to Full Success, the then equity shareholder of Jiangsu Chuangxin.

The directors consider that the dividends declared and approved by Jiangsu Chuangxin during the year are not indicative of the future dividend policy of the Group.

No dividend attributable to the year was declared or proposed after the end of the reporting period.

21 CAPITAL AND RESERVES *(continued)*

(c) Share capital

The Company was incorporated in the Cayman Islands on 6 July 2017 as part of the Reorganization with an initial authorized share capital of HKD380,000 divided into 38,000,000 shares with a par value of HKD0.01 each, of which one fully paid share was allotted and issued on 6 July 2017.

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

As the Reorganization was not completed as at 31 December 2016, for the purpose of the financial statements, the share capital of the Group as at 31 December 2016 represents the aggregate amount of the paid-in capital of all the entities comprising the Group at the respective dates, after elimination of investments in subsidiaries.

(d) Capital reserve

On 12 September 2017, the Company became the holding company of the Group, and the aggregate amount of the paid-in capital of all the entities comprising the Group were transferred to the capital reserve.

(e) PRC statutory reserves

Statutory general reserve

Statutory general reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the company comprising the Group which is incorporated in the PRC.

For the entity concerned, statutory general reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital right before conversion.

21 CAPITAL AND RESERVES *(continued)*

(f) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

At 31 December 2017, the Group had bank loans amounting to RMB 18,000,000 (2016: RMB nil). The Group had bank deposits and cash balance as at 31 December 2017 amounting to RMB 25,973,000 (2016: RMB 2,372,000).

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-equity ratio. This ratio is calculated as net debt divided by equity. The Group defines net debt as loans and borrowings less available-for-sale financial assets and cash and cash equivalents. Total equity comprises all components of equity.

During the year ended 31 December 2017, the Group's strategy was to maintain the adjusted net debt-to-capital ratio at a range considered reasonable by management. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Neither the Company nor its subsidiaries are subject to internally or externally imposed capital requirements.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

Financial assets of the Group include cash and cash equivalents, available-for-sale financial assets, trade and other receivables. Financial liabilities of the Group include trade and other payables and other financial liabilities.

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- foreign currency risk

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Group's risk management framework, and developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The risks are mitigated by various measures as disclosed below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, available-for-sale financial assets and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Bank deposits and available-for-sale financial assets are placed with financial institutions that have high credit ratings. Given their credit ratings, management does not expect any counterparty to fail to meet its obligations.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(continued)*

(a) Credit risk *(continued)*

In respect of trade and other receivables, as part of the Group's ongoing credit control procedures, management monitors the creditworthiness of customers to whom it grants credit in the normal course of business.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30-90 days from the date of billing.

Normally, the Group does not obtain collateral from customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2017, 5.7% (2016: 29.1%) of the total trade and bills receivables were due from the Group's largest customer and 47.8% (2016: 58.0%) of the total trade and bills receivables were due from the Group's five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position after deducting any allowance for doubtful debts (see note 15), and endorsed bills with full recourse which were derecognised by the Group (see note 15(d)).

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(continued)*

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient cash to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following table shows the contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay.

	As at 31 December 2017			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	**More than 1 year but less than 5 years**	**Total**	**Carrying amount**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Trade and other payables	**27,839**	**—**	**27,839**	**27,839**
Bank loan	**18,567**	**—**	**18,567**	**18,000**
	46,406	**—**	**46,406**	**45,839**

	As at 31 December 2016			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	38,797	—	38,797	38,797

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(continued)*

(c) Foreign currency risk

The Group is exposed to currency risk primarily through purchases and sales which give rise to receivables and bank balances that are denominated in foreign currencies, that are, currencies other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk is primarily United States Dollars ("USD") and Euros ("EUR").

The following table details the Group's exposure at the end of each reporting period to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the end of each reporting period.

	Exposure to USD (expressed in RMB)	
	2017	2016
	RMB'000	*RMB'000*
Cash and cash equivalents	**163**	106
Trade and other receivables	**21,102**	18,988
	21,265	**19,094**

	Exposure to EUR (expressed in RMB)	
	2017	2016
	RMB'000	*RMB'000*
Cash and cash equivalents	**196**	539

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(continued)*

(c) Foreign currency risk *(continued)*

The following table indicates the change in the Group's profit after taxation and retained earnings that would arise if foreign exchange rates to which the Group's financial assets and liabilities have significant exposure at the end of each reporting period had changed at that date, assuming all other risk variables remained constant:

	2017		2016	
	Increase/ decrease in foreign exchange rates	**Increase/ (decrease) in profit after taxation and retained earnings**	Increase/ decrease in foreign exchange rates	Increase/ (decrease) in profit after taxation and retained earnings
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
USD	**5%**	**904**	5%	811
	-5%	**(904)**	-5%	(811)
EUR	**5%**	**8**	5%	23
	-5%	**(8)**	-5%	(23)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translating into RMB at the exchange rate ruling at the end of each reporting period for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of each reporting period.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(continued)*

(d) Fair value measurement

(i) Financial assets and liabilities carried at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(continued)*

(d) Fair value measurement *(continued)*

(i) Financial assets and liabilities carried at fair value *(continued)*

Fair value hierarchy *(continued)*

	Fair value at 31 December 2017	Fair value measurements as at 31 December 2017 categorised into		
		Level 1	**Level 2**	**Level 3**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Recurring fair value measurement				
Available-for-sale financial Assets	—	—	—	—

	Fair value at 31 December 2016	Fair value measurements as at 31 December 2016 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Available-for-sale financial Assets:				
– Wealth management products	12,000	—	12,000	—

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of wealth management products is determined using the market comparison approach by reference to recent sales prices of comparable wealth management products which is publicly available.

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

During the year, there were no changes in valuation techniques for the recurring Level 2 fair value measurements.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(continued)*

(d) Fair value measurement *(continued)*

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2017 and 2016.

23 CONTINGENT LIABILITY

The Group received USD payment from customers of the Group's sales to Sudan during 2013 and 2014, which exposed the Group to potential violations of Sudanese sanctions imposed by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"). The Group has filed voluntary self-disclosure ("VSD") to OFAC in light of the potential violations on 19 September 2017. As of the date of this report, the VSD is still under review by OFAC and based on all the facts and circumstances and the assessment of the Group's International Sanctions Legal Advisers, the Group is of the view that, the most likely results would be issuance by OFAC of a cautionary letter to close out the case without the imposition of any penalty; however, it is possible that a monetary fine up to US$438,968 will be required if OFAC were to decide to impose an administrative penalty on the Group. According to the above assessment, the directors do not consider it probable that the above administrative penalty will be imposed by OFAC and therefore no provision has been made in the consolidated financial statements for the contingent liabilities arising from the above potential violations during the year ended 31 December 2017 and 2016.

24 RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions.

During the year, the directors are of the view that the following companies and individuals are related parties of the Group:

Name of party	**Relationship**
Ge Xiaojun and Gu Jufang (Spouse of Ge Xiaojun) 葛曉軍、顧菊芳*	Controlling Shareholder
Full Success International Limited 富成國際有限公司 ("Full Success") *	Entity controlled by the Controlling Shareholder
Jiangsu Hongming Petrochemical Trading Co., Ltd. 江蘇鴻銘化工貿易有限公司("Jiangsu Hongming") *	Entity controlled by the Controlling Shareholder
Yixing Guanglinyuan Trading Co., Ltd. 宜興市廣林源商貿有限公司 ("Yixing Guanglinyuan") *	Entity controlled by Gu Jufang
Earn Wealth International Limited ("Earn Wealth")	Entity controlled by the Controlling Shareholder

* The official names of these persons and companies are in Chinese. The English translation of the names is for reference only.

24 RELATED PARTY TRANSACTIONS *(continued)*

(a) Transactions with related parties

	2017	2016
	RMB'000	*RMB'000*
Non-recurring transactions:		
Sales of goods to		
Jiangsu Hongming	**—**	1,090
Cash collection on behalf of the Group		
Earn Wealth	**18,090**	20,989
Advance to related parties		
Jiangsu Hongming	**—**	1,791
Ge Xiaojun and Gu Jufang	**1,819**	4,529
	1,819	6,320
Proceeds from repayment of advance to related parties		
Jiangsu Hongming	**6,971**	—
Yixing Guanglinyuan	**—**	6,606
Ge Xiaojun and Gu Jufang	**2,600**	—
	9,571	6,606

The directors of the company have confirmed that the above non-recurring transactions will not be continued in the future after the listing of the Company's shares on the Stock Exchange.

24 RELATED PARTY TRANSACTIONS *(continued)*

(b) Balances with related parties

As at the end of each reporting period, the Group had the following balances with related parties:

Amounts due from related parties - trade:

	2017	2016
	RMB'000	*RMB'000*
Jiangsu Hongming	**—**	1,923

Amounts due from related parties - non trade:

	2017	2016
	RMB'000	*RMB'000*
Jiangsu Hongming	**—**	6,971
Ge Xiaojun and Gu Jufang	**—**	9,174
	—	16,145

The outstanding balances of amounts due from related parties are all unsecured, interest-free and have no fixed terms of repayment.

(c) Directors and key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Short-term employee benefits	**945**	907
Post-employee benefits	**130**	135
	1,075	1,042

Total remuneration is included in "staff costs" (see note 6(b)).

25 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2017 RMB'000
Non-current assets		
Investment in a subsidiary	(note i)	—*
		—*
Current liabilities		
Amount due to a subsidiary		52
		52
Net current liabilities		(52)
Total assets less current liabilities		(52)
NET LIABILITIES		(52)
EQUITY		
Share capital		—*
Reserves		(52)
TOTAL EQUITY - DEFICIT		(52)

(i) The investment cost represented 1 ordinary share of US$1 in Innovative Green Group Holdings Limited subscribed by the Company.

* The balances represented amount less than RMB 1,000.

26 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Capitalization issue

Pursuant to the written resolution dated 11 March 2018, the Company allotted and issued 360,000,000 shares of HK$0.01 each to the then existing shareholders. This resolution was conditional upon the share premium account being credited as a result of the Company's initial public offering and pursuant to this resolution, a sum of HK$3,600,000 (equivalent to RMB 2,913,120) standing to the credit of the share premium account as of 28 March 2018 was subsequently applied in paying up this capitalization issue in full.

(b) Issue of ordinary shares by initial public offering

On 28 March 2018, the Company issued 120,000,000 ordinary shares with a par value of HK$0.01, at a price of HK$1.25 per share by way of public offering in Hong Kong.

(Expressed in Renminbi Yuan unless otherwise indicated)

27 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2017, the directors consider the immediate parent and ultimate holding company of the Group to be Innovative Green Holdings Limited, which is incorporated in the British Virgin Islands and beneficially owned by Mr. Ge Xiaojun and Ms. Gu Jufang, and it does not produce financial statements available for public use.

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the issuance date of the financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2017 and which have not been adopted in the financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Annual Improvements to HKFRSs 2014-2016 Cycle	1 January 2018
HKFRS 9, *Financial Instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKFRS 2, Share-based payment: *Classification and measurement of share-based payment transactions*	1 January 2018
Amendments to HKFRS 4, *Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts*	1 January 2018
Amendments to HKAS 40, *Transfers of investment property*	1 January 2018
HK(IFRIC) Interpretation 22, *Foreign currency transactions and advance consideration*	1 January 2018
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019
Amendments to HKFRS 9, *Prepayment features with negative compensation*	1 January 2019
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) Interpretation 23, *Uncertainty over income tax treatments*	1 January 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	1 January 2019
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined
HKFRS 17, *Insurance contracts*	1 January 2021

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position. Specifically, the Group assesses the impact of HKFRS 9, HKFRS 15 and HKFRS 16 as below.

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(continued)*

While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impact upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's consolidated financial statements for the period beginning on 1 January 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in the Group's consolidated financial statements for the period beginning on 1 January 2018.

HKFRS 9, Financial Instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments:* Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities. HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognize any transition adjustments against the opening balance of equity at 1 January 2018. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI). The Group currently does not have any financial assets measured at FVTPL or FVTOCI.

Based on the assessment so far, the Group expects that its financial assets currently measured at amortised cost will continue with their respective classification and measurement upon the adoption of HKFRS 9.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(continued)*

HKFRS 9, Financial Instruments *(continued)*

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. Based on a preliminary assessment, the application of the new impairment model may not have a significant impact on the Group.

(c) Hedge accounting

HKFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under HKAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The Group currently does not have any hedge relationship and therefore it may not have any impact on the Group on adoption of HKFRS 9.

Based on the above assessment so far, the Group considers that the initial application of HKFRS 9 will not have a significant impact on the Group's results of operations and financial position.

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(continued)*

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognizing revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sales of goods and rendering of services, and HKAS 11, Construction contracts which specifies the accounting for revenue from construction contracts.

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

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Group plans to use the cumulative effect transition method for the adoption of HKFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018.

Based on the assessment so far, the Group considers that the initial application of HKFRS 15 will not have a significant impact on the Group's results of operations and financial position.

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(continued)*

HKFRS 16, Leases

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognizing rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

The Group currently does not have any lease arrangement and considers that the initial application of HKFRS 16 may not have any impact on the Group.

FINANCIAL SUMMARY

The following is a summary of assets and liabilities of our Group for each of the years ended 31 December 2014, 2015, 2016 and 2017.

	Year ended 31 December			
	2014	2015	2016	**2017**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
RESULTS				
Profit from operations	19,393	27,645	39,123	**32,616**
Profit before tax	19,393	27,645	39,123	**32,319**
Income tax expense	(2,973)	(4,443)	(5,777)	**(4,942)**
Net profit and total comprehensive income for the year	16,420	23,202	33,346	**27,377**
ASSETS AND LIABILITIES				
Total assets	102,292	126,875	144,220	**157,188**
Current liabilities	32,026	16,872	43,871	**49,877**
Total equity	70,266	110,003	100,349	**107,311**

Note:

The summary of assets and liabilities of the Company as of 31 December 2014 and 2015 and the summary of the results of the Company for the years ended 31 December 2014 and 2015 have been extracted from the Prospectus.

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below.

"AGM"	the annual general meeting of the Company to be held at No. 16 West Kaixuan Road, Economic Development Zone Yixing, Jiangsu Province, the PRC at 14:00 on Wednesday, 30 May 2018
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company as amended from time to time
"Board" or "Board of Directors"	the board of directors of the Company
"Company"	Jiangsu Innovative Ecological New Materials Limited (江蘇創新環保新材料有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 6 July 2017, the Shares of which are listed on the Main Board (stock code: 2116)
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to "China" and "PRC" do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
"CNOOC"	China National Offshore Oil Corporation (中國海洋石油集團有限公司)
"CNPC"	China National Petroleum Corporation (中國石油天然氣集團公司)
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, refers to Mr. Ge, Ms. Gu and Innovative Green Holdings
"Director(s)"	the director(s) of the Company
"Group", "we,""us," or "our"	the Company and its subsidiaries
"HKAS"	Hong Kong Accounting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Innovative Green Holdings"	Innovative Green Holdings Limited, which is owned as to 50% by Mr. Ge and 50% by Ms. Gu, and is directly interested in approximately 75% of the issued Shares

DEFINITIONS

"International Supplier"	an indirect subsidiary of a global corporation that produces chemical products and our supplier and customer of desulfurizing agents
"Listing"	the listing of the Shares on the Main Board
"Listing Rules"	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Listing Date"	28 March 2018, being the date on which dealing in the Shares first commenced on the Main Board
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with GEM of the Hong Kong Stock Exchange
"MDEA"	a chemical used as a desulfurizing agent
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Mr. Ge"	Mr. Ge Xiaojun（葛曉軍）
"Ms. Gu"	Ms. Gu Jufang（顧菊芳）
"Prospectus"	the prospectus of the Company dated 19 March 2018 in connection with the Hong Kong Public Offering (as defined therein)
"ppm"	parts per million, a unit of measurement commonly used to denote concentration
"RMB"	Renminbi, the lawful currency for the time being of the PRC
"Reporting Period"	the period for the year ended 31 December 2017
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with nominal value of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"US$" or "USD"	U.S. dollars, the lawful currency of the United States of America
"Yixing"	Yixing City (宜興市), a county under the juristdiction of Wuxi City, Jiangsu Province, PRC
"Yixing Plant"	our production facilities located in Yixing
"%"	per cent.