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

2018
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
Mr. Wong Yu Kit (appointed on 11 June 2018)
Ms. Ko Nga Kit
(appointed on 10 April 2018 and
resigned on 11 June 2018)
Mr. Young Ho Kee Bernard
(resigned on 10 April 2018)

AUTHORISED REPRESENTATIVES

Mr. Ge Xiaojun
Mr. Wong Yu Kit (appointed on 11 June 2018)
Ms. Ko Nga Kit (appointed on 10 April 2018 and
resigned on 11 June 2018)
Mr. Young Ho Kee Bernard
(resigned on 10 April 2018)

REGISTERED ADDRESS IN THE CAYMAN ISLANDS

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN THE PRC

No. 16 West Kaixuan Road
Economic Development Zone
Yixing, Jiangsu
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai
Hong Kong

AUDITOR

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

LEGAL ADVISERS TO THE COMPANY

Stephenson Harwood (as to Hong Kong law)
Jiangsu Roadxiu Law Firm (as to PRC law)

CORPORATE INFORMATION

COMPLIANCE ADVISER

Orient Capital (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China Limited
Yixing Qiting Sub-Branch
Qiting Subdistrict
Yixing, Jiangsu
PRC

Bank of China Limited
Yixing Sub-Branch
No. 106, West Taige Road
Yicheng Road
Yixing, Jiangsu
PRC

Bank of Communications Co., Ltd.
Yixing Dongshan Sub-Branch
No. 217, East Jiefang Road
Yicheng Road
Yixing, Jiangsu
PRC

Wing Lung Bank Limited
45 Des Voeux Road
Central
Hong Kong

COMPANY'S WEBSITE

http://www.jscxsh.cn

STOCK CODE

2116

CHAIRMAN'S STATEMENT

Dear Shareholders,

I, on behalf of the the Board, hereby present the annual report of the Company and its subsidiaries for the financial year ended 31 December 2018.

For the financial year ended 31 December 2018, our Group recorded revenue of approximately RMB177.1 million, and after deducting the Listing expenses accrued during the year, our net profit amounted to approximately RMB23.0 million. Our revenue and net profit decreased when compared to that of 2017 mainly due to the significant drop in orders received by our Group from a major customer in Sudan as a result of the downtime for overhaul of this customer in 2018, and temporarily not all its processing units have restored full-capacity production after the overhaul.

After taking into account of the temporary decline in the business of Sudan and the impact on the economy of the international trade war, we slowed down the progress of our original plan on the use of the proceeds from Listing, in order to ensure the intended results from the use of the proceeds can be achieved. Nevertheless, the first phase of our project for the expansion of our production capacity and for the in-house production of certain important raw material is almost completed, and the project will be put into operation in mid-2019, which will bring a new drive for profit growth to our Group, and reduce our production costs.

In 2018, with the enhancement on our corporate image and influence due to the Listing, we have strengthened our cooperation with large international companies. In addition to the existing long-term international partners, we have recruited internationally renowned chemical companies, including Innospec Limited, Infineum Singapore Pte. Ltd. and Cetpro Limited as our long-term partners during the year, which will further expand our Group's influence in the industry and enhance our Group's market shares. Meanwhile, we have strengthened our efforts on customer diversification in accordance with our original plan. Through our hard work, we have become the qualified supplier of Hengli Petrochemical (Dalian) Refinery Co., Ltd., a large private enterprise, and Zhejiang Petrochemical Co., Ltd., currently the largest refining enterprise in the PRC and a private enterprise, and we have supplied some products to them, and this will expand the sales and extend the influence of our Group.

Looking ahead, the Phase V of Emission Standards for Motor Vehicles of the PRC (中國第五階段機動車排放標準) has been fully implemented from 1 January 2018. With the increasing enforcement strength of environmental protection laws, the actual scope and depth of the implementation of the standards will continue to enlarge. Standard A and Standard B under the Phase VI of Emission Standards for Motor Vehicles (第六階段機動車排放標準) which includes more stringent requirements will be implemented from 1 July 2020 and 1 July 2023, respectively. The Board believes that higher and stricter emission standards for motor vehicles will increase the demand for our Group's products, which will be a strong support to the business growth of our Group in the next few years.

In conclusion, on behalf of the Board, I would like to express my sincere gratitude to all Shareholders for their confidence, our staff for their contribution on our Group's growth for the past whole year, as well as our partners, customers and suppliers for their continuous support. In the forthcoming year, we will redouble our efforts and strive to bring greater returns to our Shareholders.

Yours faithfully,
Ge Xiaojun
Chairman and Chief Executive Officer

29 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

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

The Shares were listed on the Main Board on the Listing Date and the completion of the share offer in connection therewith (the "**Share Offer**") took place on the same day.

Industry Overview

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

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

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

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

Business Overview

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

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

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

Our Product

Oil refining agents

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

Fuel additives

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

Compliance with Key Regulatory Requirements

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

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

Future Plan and Prospects

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

- The first phase project for upgrading our production capacity is expected to be completed in the first half of 2019. We will continue to increase our production capacity to meet rising customer demand by upgrading the production capacity of our plant in Yixing city.
- We have been working on a new series of products in 2018, the production of which will be initiated in mid-2019. We will continue to expand our product mix to create new market opportunities while continuing to enhance the quality of our existing products and technologies.
- During the Reporting Period, we have successfully become a qualified regular supplier of several large-scale private oil refineries in China, and we will continue to expand our customer base to diversify our revenue sources by reaching out to non-state-owned oil refineries and potential customers overseas.

- During the Reporting Period, we have been working on producing a key raw material and its first phase production facilities are expected to be put in use in the first half of 2019. After that, we will observe the market situations and add to the production capacity at the right time.
- During the Reporting Period, based on the achievements of our research and development, we applied for a number of new patents which are now under assessment by the authorities. We will continue enhancing our research and development capabilities to develop innovative, high-quality oil refining agents and fuel additives.

Financial Overview

Revenue

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

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

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

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

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

Note:

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

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

Cost of sales

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

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

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

Profit from operations

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

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

Gross profit

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

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

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

Other income

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

Sale and marketing expenses

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

General and administrative expenses

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

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

Research and development expenses

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

Income tax expense

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

Profit for the year

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

Liquidity, Financial Resources and Capital Structure

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

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

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

Cash flows

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

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

Net cash flows generated from operating activities

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

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

Net cash flows (used in)/generated from investing activities

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

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

Net cash generated from/(used in) financing activities

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

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

Selected Items of the Consolidated Statements of Financial Position

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

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

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

Inventories

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

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

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

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

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

Bank loan

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

Trade and other receivables

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

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

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

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

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

Credit periods and trade receivables

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

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

Trade and other payables

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

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

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

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

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

Contingent liabilities

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

Capital Expenditures and Commitment

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

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

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

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

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

Off-balance Sheet Arrangements

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

Foreign Currency Exposure

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

Key Financial Ratios

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

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

Notes:

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

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

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

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

Return on equity

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

Return on assets

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

Current ratio

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

Quick ratio

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

MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

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

USE OF PROCEEDS FROM THE SHARE OFFER

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

AGM

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

DIRECTORS

Executive Directors

Mr. Ge Xiaojun (葛曉軍), aged 55, 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 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 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.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Gu Jufang (顧菊芳), aged 55, 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 Free Trade Zone Innovation Refining Agent Co., Ltd. (大連保税區創新煉化助劑有限公司) 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 50, 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.

Mr. Jiang Caijun (蔣才君), aged 49, 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 47, 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 16 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 33, is the non-executive Director. 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.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Fan Peng (樊鵬), aged 36, was appointed as our independent non-executive Director on 7 March 2018. Mr. Fan has over 10 years of experience in accounting and corporate financing. Since August 2018, Mr. Fan has been the chief strategy officer of a healthcare service company. Prior to that, he has been the chief financial officer of CashBUS (Cayman) Limited from October 2017. 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. (麥格理投資顧問 (北京) 有限公司) 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 47, was appointed as our independent non-executive Director on 7 March 2018. Mr. Guan has over 25 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 42, 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 PRC 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.

SENIOR MANAGEMENT

Mr. Li Jianjun (李建軍), aged 44, 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 48, is one of the joint company secretary 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 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 SECRETARIES

Mr. Wong Yu Kit (黃儒傑), was appointed as one of the joint company secretary of the Company on 11 June 2018. He is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited and has about 10 years of experience in the corporate services field.

Mr. Wong obtained a bachelor's degree in Business Administration and Management from the University of Huddersfield and a master's degree in corporate governance from the Open University of Hong Kong. Mr. Wong is an associate member 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 2018.

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 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong.

The analysis of the revenue of the principal activities of our Group for the year ended 31 December 2018 is set out in note 3 to the consolidated financial statements.

BUSINESS REVIEW AND RESULTS

A review of the business of our Group for the year ended 31 December 2018 and a discussion on our future business development are set out in the sections "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. An analysis of our performance for the year ended 31 December 2018 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 2018 are set out in the section "Consolidated Statement of Profit or Loss and Other Comprehensive Income" of this annual report.

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.

SHARE OPTION SCHEME

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

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

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

Since the Listing Date and up to the date of this report (the "**Review Period**"), neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, sales to our largest customer accounted for 14.0% of our total revenue, and sales to our five largest customers accounted for 37.5% of our total revenue.

The following table sets forth the details of our major customers for the year ended 31 December 2018:

Customer	Group company	Major products sold	Credit term	Revenue Contribution	Percentage of total revenue
				RMB'000	%
Customer A	CNPC	Oil refining agents and fuel additives	Cash on delivery	24,712	14.0

For the year ended 31 December 2018, our purchases from the largest supplier accounted for 22.2% of the total procurements, and purchases from five largest suppliers accounted for 59.5% of the total procurements.

The following table sets forth the details of our major suppliers for the year ended 31 December 2018:

Rank	Supplier	Major products purchased	Percentage of total purchases
1	Supplier A	MDEA	22.2%
2	International Supplier	Desulfurizing agents	11.6%
3	Supplier B	Tall oil fatty acid	10.0%

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 Reporting Period.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of our Group during the year ended 31 December 2018 are set out in note 10 to the consolidated financial statements of this annual report.

SUBSIDIARIES

Details of the major subsidiaries of the Company as of 31 December 2018 are set out in note 12 to the consolidated financial statements of this annual report.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of our Group is set out in the section headed "Financial Summary" in this annual report. 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 2018 and the financial position of our Group as of 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 Reporting Period and material factors underlying our results and financial position are set out in the section headed "Management Discussion and Analysis" of this annual report.

SHARE CAPITAL

On 28 March 2018, the Company issued an aggregate of 120,000,000 Shares of HK$0.01 at the offer price of HK$1.25 per Share by way of Share Offer. There was no change in share capital of the Company from the Listing Date to 31 December 2018. For more details, please refer to the section headed "Consolidated Statement of Changes in Equity" of this annual report.

DISTRIBUTABLE RESERVES

Details of movements in the reserves of our Group during Reporting Period are set out in the section "Consolidated Statement of Changes in Equity" of this annual report, of which details of reserves available for distribution to Shareholders are set out in note 20 to the consolidated financial statements of this annual report.

As of 31 December 2018, the aggregate amount of reserves available for distribution to Shareholders was RMB103,471,000.

BANK LOANS

Particulars of bank loans and other borrowings of our Group as of 31 December 2018 are set out in note 18 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	55	Executive Director, chairman and chief executive Officer	18 September 2017
Ms. Gu Jufang	55	Executive Director	18 September 2017
Mr. Huang Lei	50	Executive Director	18 September 2017
Mr. Jiang Caijun	49	Executive Director	18 September 2017
Mr. Fan Yaqiang	47	Executive Director	18 September 2017
Mr. Gu Yao	33	Non-executive Director	18 September 2017
Mr. Fan Peng	36	Independent non- executive Director	7 March 2018
Mr. Guan Dongtao	47	Independent non- executive Director	7 March 2018
Ms. Wu Yan	42	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.

REPORT OF THE DIRECTORS

BIOGRAPHIES 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 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 which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the sub-section headed "Related Party Transactions" in this annual report, 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 2018.

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 Review Period.

EMPLOYMENT AND EMOLUMENTS

As of 31 December 2018, our Group had 72 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 the Company, review remuneration and ensure none of our Directors determine their own remuneration.

We invest in continuing education and training programs for our management and other employees with a view to constantly upgrading their skills and knowledge. We also arrange for internal and external professional training programs to develop our employees' skills and knowledge. These programs include further educational studies, fundamental economics and finance knowledge and skills training, and professional development courses for our management personnel. New employees are required to attend induction training courses to ensure that they are equipped with the necessary skills to perform their duties.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

The remuneration to Directors is subject to the Shareholders' approval at the general meeting. The emoluments payable to the Directors and senior management are determined by the Board with recommendations of the Remuneration Committee, their respective contractual terms under their employment contracts or service contracts, having regard to their performance, our operating results and comparable market statistics. No Directors, or any of their respective associates, was involved in deciding their own remuneration.

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 2018 is less than HK$1,000,000. Each of our five executive Directors has waived his/her Director's fees for the year ended 31 December 2018. Details of the emoluments of the Directors and five highest paid individuals are set out in notes 7 and 8 to the consolidated financial statements of this annual report respectively.

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 31 December 2018, 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 31 December 2018, 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 31 December 2018, 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 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 31 December 2018, our Directors were not aware of any persons (other than a director 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

Save as disclosed in the sub-section headed "Related Party Transactions" in this report, there had been no contract of significance between the Company and any of our Controlling Shareholders during the Review Period.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of 31 December 2018, 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.

CONNECTED TRANSACTIONS

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

RELATED PARTY TRANSACTIONS

For the year ended 31 December 2018, we did not have any related party transaction.

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. 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 Reporting Period, 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 2018 and up to the date of this annual report, save as those disclosed in the Prospectus, 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.

For details, please refer to the sub-section headed "Compliance with key regulatory requirements" set out in section headed "Management Discussion and Analysis" of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

Concentrated Customer Base

Our sales to affiliates of Sinopec, CNPC and CNOOC accounted for a significant portion of our revenue. For the year ended 31 December 2018, sales to these three state-owned conglomerates accounted for 29.6%, 29.7% and 6.4% of our total revenue, respectively. We built a network of long-standing customer relationships with affiliates of Sinopec, CNPC and CNOOC as they dominant the PRC petrochemical industry. We anticipate that we will continue to generate a significant portion of our revenue from affiliates of the three state-owned conglomerates. However, following the recent trend of opening the oil and gas industries to privately-owned businesses, we are expanding our customer base to diversify our revenue sources.

Price Fluctuations

Our oil refining agents and fuel additives are produced with 50 to 60 types of raw materials. The cost of our raw materials accounted for 98.5% of our total cost of sales for the year ended 31 December 2018. We regularly analyze market price trends by inquiring prices from our suppliers and monitoring the prices of raw materials online and generally retain at least two of suppliers for each kind of raw material in order to avoid reliance on any single source of supply. To the extent that we cannot manage price fluctuations, we will pass cost increases onto our customers through price adjustment mechanisms or by accounting for the possibility of such fluctuations in setting prices for our own products.

Liquidity 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. 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.

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

These risks are not the only significant risks that may affect the value of the Shares. For more details, please refer to note 21 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the sub-section headed "Share Option Scheme", no equity-linked agreements were entered into or subsisted by the Company during the Review Period.

INDEMNITY OF DIRECTORS

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

CHARITABLE DONATIONS

During the Review Period, our Group made donations of RMB150,000.

DIVIDEND POLICY

Subject the laws, rules, regulations and the Articles of Association, the Company may distribute the dividend by way of cash, share allotment or any other form in any currency to the Shareholders. Declaration of dividends is subject to the discretion of the Board, depending on our results of operations, working capital, financial position, future prospects and capital requirements, as well as any other factors which the Directors may considered relevant. A separated resolution of the proposed dividend distribution plan will be submitted by the Board to the Shareholders at the general meeting for their consideration and approval. The distribution of dividend will be completed within three months upon the approval at the general meeting by the Shareholders.

FINAL DIVIDEND

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

REPORT OF THE DIRECTORS

CLOSURE OF REGISTER OF MEMBERS

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

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

EVENTS AFTER THE REPORTING PERIOD

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

Save as disclosed in note 25 to the consolidated financial statements of this annual report and the Proposed Final Dividend disclosed above, there are no significant subsequent events after the Reporting Period.

AUDIT COMMITTEE

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

The Company's external auditor, KPMG, has audited the consolidated financial statements for the year ended 31 December 2018 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE

Throughout the Review Period, the Company complied with the code provisions (the "**Code Provisions**") set out in the Corporate Governance Code anc Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules, except for provision A.2.1 of the CG Code. Details are set out in the section of "Corporate Governance Report" to 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 2018 have been audited by KPMG, who has remained as the Company's auditor since the Listing Date and 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

29 March 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Our Group is committed to maintain high standards 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, except for the following deviation from provision A.2.1 of the CG Code which is explained below:

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

THE BOARD

Board Composition

As of 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 headed "Directors and Senior Management" of this annual report. A list of the Directors identifying their roles and functions is available on the website of the Stock Exchange and the Company.

Save as disclosed in the above-mentioned section in this annual report, none of the Directors has any personal relationship (including financial, business, family or other material or relevant relationship) with any other members of the Board and senior management of the Company.

Responsibilities

The Board is responsible for supervising the overall management, oversees our 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 Provisions 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

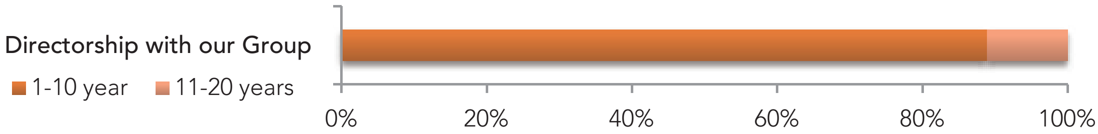
Since the Listing Date and up to the date of this annual report, the Company has been in compliance with the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive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

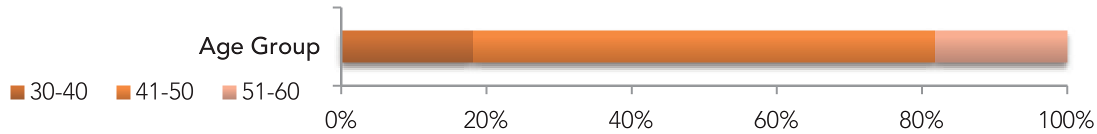
The Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

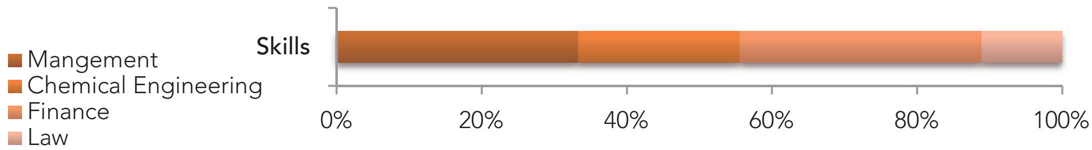
As of 31 December 2018, each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of them are independent under these independence criteria and are capable of effectively exercising independent judgement.

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, relationship with other Board members and length of service. 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 our 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 our 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 attended training regarding Listing Rules compliance before the Listing and the general introduction of Chapter 7 of the Listing Rules on December 2018 offered by the Company's legal advisor. The Directors also have received the reading materials regarding on the latest development of the Listing Rules regarding the directors' duties.

A summary of trainings received by the Directors for the year ended 31 December 2018 is a follows:

Name of Directors	**Attending in-house training dated 28 December 2018**	**Reading materials regarding new rules and regulations of directors' duties**
Executive Directors		
Mr. Ge Xiaojun	√	√
Ms. Gu Jufang	√	√
Mr. Huang Lei	√	√
Mr. Jiang Caijun		
Mr. Fan Yaqiang	√	√
Non-executive Director		
Mr. Gu Yao	√	√
Independent non-executive Directors		
Mr. Fan Peng	√	√
Mr. Guan Dongtao	√	√
Ms. Wu Yan	√	√

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 Director 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).

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. Accordingly, each of Ms. Gu Jufang, Mr. Gu Yao and Mr. Ge Xiaojun, being eligible, offer himself/herself for re-election at the AGM.

Nomination Policy

In order to nominate suitable candidates to the Board for it to consider and make recommendations to Shareholders for election at general meetings, the secretary of the Nomination Committee shall call a meeting with the list and information of the candidates. For proposing candidates to stand for election at a general meeting, a circular which contains the names, brief biographies, independence, proposed remuneration and any other information as required pursuant to the applicable laws and regulations, will be sent to the Shareholders. Other than the nomination recommended by the Board for election, the Shareholders can serve a notice in writing of the intention to propose that certain person for election as a Director with in the lodgment period. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Nomination Committee has the discretion to nominate any person as it considers appropriate and in assessing the suitability of a proposed candidate, the criteria as set out below will be used as reference.

- Reputation and integrity;
- Experience in the directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas;
- Commitment in performing the duties as a director and a member of the Board committees (if applicable); and
- Board diversity, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge, relationship with other Board members and length of service, and the potential contributions can be brought to the Board.

Board Meetings

The Company intends to hold Board meetings regularly, at least four times a year. A notice will be given not less than 14 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.

In addition, in order to facilitate open discussion with all non-executive Directors (including independent non-executive Directors) and at their request, the chairman will meet with the non-executive Directors (including independent non-executive Directors), in the absence of executive Directors and senior management, at least once a year after a regular Board meeting.

For the year ended 31 December 2018, five Board meetings were held and one general meeting was held, and the attendance record of each Director is set out in the table below:

	Attendance/Number of Meetings			
Name of Directors	**Board**	**Nomination Committee**	**Audit Committee**	**General meeting(s)**
Mr. Ge Xiaojun	5/5	1/1	N/A	1/1
Ms. Gu Jufang	5/5	N/A	N/A	1/1
Mr. Huang Lei	5/5	N/A	N/A	1/1
Mr. Jiang Caijun	5/5	N/A	N/A	1/1
Mr. Fan Yaqiang	5/5	N/A	N/A	1/1
Mr. Gu Yao	4/5	N/A	N/A	1/1
Mr. Fan Peng	5/5	N/A	3/3	0/1
Mr. Guan Dongtao	5/5	1/1	3/3	1/1
Ms. Wu Yan	5/5	1/1	3/3	1/1

Model Code for Securities Transactions

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

The Directors have also requested any employee of the Company or director or employee of any subsidiary of the Company who, because of his office or employment in the Company or any subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he would be prohibited from dealing by the Code of Conduct as if he were a Director.

Service Contract of Directors

Each of the Directors has entered into a service contract or appointment letter 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 which is not 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 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.

For the year ended 31 December 2018, three Audit Committee meetings were held. The Audit Committee has reviewed:

- the final results of the Company and its subsidiaries for the year ended 31 December 2017 and final report of the Company, as well as the audit report for the year ended 31 December 2017 prepared by the auditor relating to accounting issues and major findings in the course of audit;
- the report of risk management and internal control systems for the year ended 31 December 2017 (including the scope and effectiveness of the risk management and internal control systems, adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function, and the effectiveness of the financial reporting system and compliance procedures);
- the effectiveness of Audit Committee;
- the interim results of the Company and its subsidiaries for the six months ended 30 June 2018 and interim report of the Company, as well as the review report for the six months ended 30 June 2018 prepared by the auditor; and
- the report of risk management and internal control systems for the six months ended 30 June 2018 (including the effectiveness of the risk management and internal control systems, adequacy of resources, staff qualifications and experience, training programmes and the review results).

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.

The major objective of our remuneration policy is to develop and review the remuneration package of individual Director and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management, goals and objective of the Company, and recommend the remuneration proposals to the Board and ensure that no Director or any of his associates is involved in deciding his own remuneration.

No Remuneration Committee meeting was held for the year ended 31 December 2018.

Nomination Committee

The Nomination Committee currently comprises three members, including one executive Director, namely Mr. Ge Xiaojun (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 website of the Stock Exchange and the Company.

For the year ended 31 December 2018, one Nomination Committee meeting were held. The Nomination Committee has:

- reviewed the structure and composition of the Board, and the skills, knowledge and service terms of the Directors in accordance with the directors' diversity policy;
- assessed the independence of the independent non-executive Directors;
- reviewed the effectiveness of the Nomination Committee;
- made the recommendation on re-election of Mr. Huang Lei, Mr. Jiang Caijun and Mr. Fan Yaqiang at the annual general meeting;
- reviewed the directors' diversity policy and nomination policy of the Company; and
- reviewed the terms of reference of Nomination Committee.

CORPORATE GOVERNANCE FUNCTIONS

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

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 7 and 8 to the consolidated financial statements in this annual report.

The remuneration to Directors is subject to the Shareholders' approval at the general meeting. The emoluments payable to the Directors and senior management are determined by the Board with recommendations of the Remuneration Committee, their respective contractual terms under their employment contracts or service contracts, having regard to their performance, our Group's operating results and comparable market statistics. No Directors, or any of their respective associates, was involved in deciding their own remuneration.

Remuneration paid to each of the Directors and the members of the senior management of the Company for the year ended 31 December 2018 is less than HK$1,000,000. Each of our five executive Directors has waived his/her Director's fees for the year ended 31 December 2018.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES FOR FINANCIAL REPORTING

The Board acknowledges its responsibility for preparing the financial statements for the year ended 31 December 2018 which give a true and fair view of the affairs, results and cash flows of our Group.

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 systems 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 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 2018 was analyzed below:

Service category	**Fees RMB**
Audit services	
– audit services on 2018 annual financial statements of our Group	1,350,000
– statutory audit of a subsidiary	35,000
Non-audit services	
– tax compliance services	26,000
	1,411,000

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor under the annual review.

JOINT COMPANY SECRETARIES

Mr. Tan Qian (談前) ("**Mr. Tan**"), primary corporate contact person of the Company, is one of the joint company secretaries. Mr. Wong Yu Ki (黃儒傑) ("**Mr. Wong"**), a assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited, is the other joint company secretaries 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.

Both Mr. Wong and Mr. Tan have 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. Shareholders could use the same way of convening an extraordinary general meeting as above to put forward proposals in detail at general meetings.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Company'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.

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

The Company encourages Shareholders to attend Shareholders' meetings and make enquiries by either directly raising questions to the Board and Board Committees at the general meetings or providing written notice of such enquires to the headquarters of the Company at No.16 West Kaixuan Road, Economic Development Zone, Yixing, Jiangsu, the PRC (email address: hongming@188.com).

ENVIROMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This report provides a summary of the performance in the environmental, social and governance aspects of our Group in 2018. This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**Guide**") under Appendix 27 of the Listing Rules. The scope and information covered herein comply with the disclosure principle required in the Guide.

This report covers the overall performance of our Group in various aspects, including environmental protection, employee protection, safe production and performance of social responsibilities for the year ended 31 December 2018.

2. ANALYSIS OF ENVIRONMENTAL PERFORMANCE OF OUR GROUP

Our Group is principally engaged in the development, production and sale of oil refining agents and fuel additives that can be applied to reduce undesirable emissions and comply with the evolving regulatory requirements on environmental protection of the PRC government. Our Group 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. During the Reporting Period, we mainly collected environment data of our Group's principal place of business and headquarters in the PRC.

2.1 OVERVIEW OF RELEVANT ENVIRONMENTAL PROTECTION POLICIES IN KEY BUSINESS AREAS

Policies and Regulations	Date of issuance and Issuer	Main content
Law of the PRC on the Prevention and Control of Soil Pollution (中華人民共和國土壤污染防治法)	Promulgated on 31 August 2018, Standing Committee of the National People's Congress	It proposes to focus on establishing a corresponding legal system, strengthen the environmental supervision on industrial and mining enterprises, and cut off the source of soil pollution to curb the further pollution; to implement classified administration of contaminated lands, establish a technological system to gradually promote risk management and control.

Policies and Regulations	Date of issuance and Issuer	Main content
Three-year Action Plan for Winning the Battle for a Blue Sky (打贏藍天保衛戰三年行動計劃)	Promulgated on 27 June 2018, the State Council	The plan states that it is expected to dramatically reduce the total emissions of major atmospheric pollutants, lower the greenhouse gas emissions in a coordinated manner, further see a marked drop in the density of PM 2.5, and significantly decrease the number of seriously polluted days, through best endeavors in the forthcoming three years, in turn to significantly improve the air quality and obviously strengthen the happiness of citizens to a blue sky.
Catalog of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (固定污染源排污許可分類管理名錄)	Promulgated on 28 July 2017, Ministry of Environmental Protection	It requires that 78 industries and four 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 (國家環境保護標準「十三五」發展規劃)	Promulgated on 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.

Policies and Regulations	Date of issuance and Issuer	Main content
Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法)	Promulgated on 5 September 1987, and amended on 29 August 1995, 29 April 2000, 29 August 2015, 26 October 2018, respectively, Standing Committee of the National People's Congress	Protecting and improving the environment, preventing and controlling atmospheric pollution, safeguarding public health, promoting the construction of ecological civilization, and promoting sustainable economic and social development.
Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste(中華人民共和國固體廢物污染環境防治法)	Promulgated on 30 October 1995, and amended on 29 December 2004, 29 June 2013, 24 April 2015, 7 November 2016, respectively, 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 PRC (中華人民共和國環境保護法)	Promulgated on 26 December 1989, and amended on 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.

2.2 ANALYSIS OF EMISSIONS OF OUR GROUP

2.2.1 Analysis of Emission Indicators of our Group

Emission of Exhaust Gas

Our Group's emission of exhaust gas is mainly from the combustion of gasoline. 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 2018, our Group emitted nitrogen oxides of 138.06 kilograms, sulfur oxides of 0.31 kilogram and particulate matter of 13.23 kilograms during the course of its production and operation.

Emission of Greenhouse Gas

Our Group generates greenhouse gas mainly from the combustion of gasoline and natural gas and electricity consumption in operation. The emission of greenhouse gas includes direct emission of greenhouse gas and indirect emission of greenhouse gas. Our Group's emission of greenhouse gas in 2018 is as follows:

Type of Greenhouse Gas	Direct emission (Unit: ton of carbon dioxide equivalent)	Indirect emission (Unit: ton of carbon dioxide equivalent)
Carbon dioxide (CO_2)	49.50	111.37
Methane (CH_4)	0.11	0.03
Nitrous oxide (N_2O)	6.60	0.53
Total	**56.21**	**111.93**

In 2018, our Group's total carbon emission amounted to approximately 168.14 tons of carbon dioxide equivalent with emission density of 93.40 tons of carbon dioxide equivalent/RMB100 million.

Hazardous/Non-hazardous Waste

In 2018, our Group did not generate any hazardous waste during the course of its production and operation. For the non-hazardous waste, in 2018, our Group did not generate any non-hazardous waste but wastewater. It discharged a total of 690 tons of wastewater with emission density of approximately 383.33 tons/RMB100 million. In addition, our Group is actively improving business operation efficiency and environmental protection supervision measures to further reduce the possibility that our Group's business will have a negative impact on the environment.

Measures for Emission Reduction and Relevant Progress

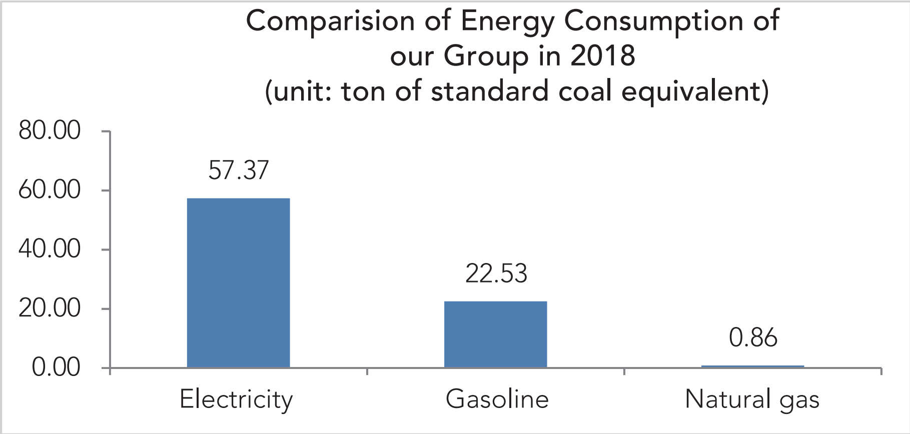
Our Group adopts closed production techniques without any gas emission in the process of production. Nevertheless, our Group has installed the activated carbon gas absorption system in the filling workshop to further absorb minor gas escaped, thereby minimizing the possibility of pollutant emission.

2.3 ANALYSIS OF USE OF RESOURCE BY OUR GROUP

2.3.1 Main Energy Consumption Structure of our Group

In 2018, our Group consumed a total of approximately 15.77 tons of fossil fuels in its operation, including approximately 15.31 tons of gasoline and approximately 0.46 ton of natural gas. In addition, our Group consumed electricity of approximately 142,000 kWh and water of approximately 9,000 tons in its operation.

In 2018, the total energy consumed by our Group in its operation amounted to approximately 80.76 tons of standard coal equivalent, of which 71.0% was electricity, 27.9% was gasoline and 1.1% was natural gas.



2.3.2 Measures on Efficient Use of Energy Taken by our Group

In 2018, our Group had been actively promoting the efficient use of energy. Our Group 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, our Group 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. Our Group had listed the relevant requirements for energy conservation and consumption reduction as well. For example, when operations that require temporary use of power have been completed, 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.

2.3.3 Analysis of Resource Utilization Indicators of our Group

Total Energy Consumption and Density

Energy consumption of our Group in 2018 is shown in the tables as below:

Unit	Total gasoline consumption of our Group in 2018
Litre (l)	20,972.00
Kilogram (kg)	15,309.56
Kilogram of standard coal equivalent (kgsce)	22,526.49

Unit	Total natural gas consumption of our Group in 2018
Cubic meter (m^3)	643.00
Kilogram (kg)	461.29
Kilogram of standard coal equivalent (kgsce)	855.19

Unit	Total electricity consumption of our Group in 2018
Kilowatt hour (kWh)	142,000.00
Kilogram of standard coal equivalent (kgsce)	57,368.00

In 2018, our Group's total energy consumption amounted to 80.76 tons of standard coal equivalent with energy consumption density of 4.49 kilograms of standard coal equivalent/RMB10,000.

In 2018, our Group's total water consumption amounted to 9,000 tons with energy consumption density of 0.50 ton/RMB10,000.

Usage of Suitable Water Sources

Our Group 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 our Group's products mainly include plastic barrels and metal cans. In 2018, our Group used approximately 91.45 tons of plastic and 461.40 tons of metal for packaging materials of finished products.

2.4 ANALYSIS OF ENVIRONMENT AND NATURAL RESOURCES

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

Our Group 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 PRC 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.

3 ANALYSIS OF CORPORATE SOCIAL RESPONSIBILITY

3.1 ANALYSIS OF EMPLOYMENT AND LABOUR CURRENT STATUS OF OUR GROUP

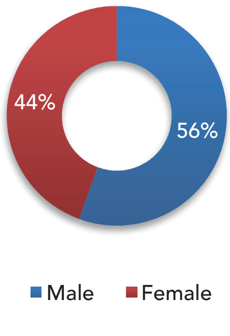
3.1.1 Overview of Employment Status and Labour Standards

Employment Principles

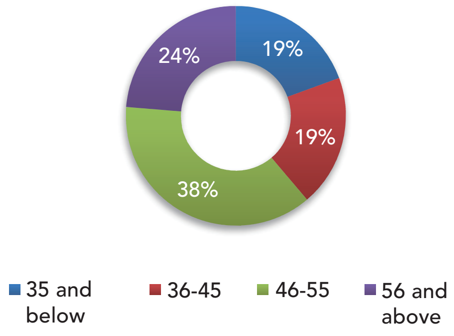
Our Group strictly complies with the Labour Law of the PRC (中華人民共和國勞動法), and has formulated comprehensive employment rules and systems and has implemented the employment principles of "selecting people by jobs, matching people and positions, and undergoing recruitment openly and fairly".

Details of Existing Employees

Breakdown of Existing Employees of our Group by Major Indicators for 2018



Gender



Age Group

As of 31 December 2018, the total number of existing employees of our Group was 72.

Our Group has a relatively balanced gender structure of employees with 40 male employees and 32 female employees, representing 56% and 44%, 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.

Our Group 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

In 2018, a total of five employees had left our Group, representing 7% of the total number of existing employees. Among which, three of them were male, two of them were female, four of them aged 35 and below, and one of them aged over 35.

Employee Benefits

Our Group protects the rights and benefits of all employees. Our Group explicitly states the rights and benefits 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", our Group offers basic salary, performance salary and bonus as well as benefits such as allowance, labour protection supplies, festival gifts and free physical examination to its employees. In addition, our Group provides timely and full contribution to employees' housing provident fund, endowment insurance, medical insurance, unemployment insurance and other social insurance in accordance with the requirements of the Labour Law of the PRC. Our employees are also entitled to any salary, benefits and leaves (such as work-related injury leave, sick leave and marriage leave) required by relevant laws.

Employee Incentive

Our Group has implemented a series of incentive policies, such as incentive for outstanding employees and employees with multiple skills, including annual cash reward, pay raise and promotion.

3.1.2 Overview of Employees' Health and Safety Assurance


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

We consecutively passed the OHSAS18001 Occupational Health and Safety Management System Certification and strictly implements occupational health and safety management based on such standard. Meanwhile, we carry out safe production in strictly accordance with the requirements of relevant safety supervision authorities, and are consecutively recognized as III-Grade Enterprise of Work Safety Standardization of Wuxi City.

In order to assure the health and safety of our employees, we have actively developed the Compilation of Safe Production Management Systems and formulated a series of duties and measures related to production safety, including safety responsibility assessment system, safety education and training system, safety facilities/protective equipment management system, hidden safety issues investigation and rectification management system. In addition, our Group have posted the Safety Responsibility Rules for Employees in the factories, with specific rules including participation in safety activities, learning safety technical knowledge, strictly compliance with various safety production rules and regulations, and reqirements on careful inspection of facilities and safety measures before handing over.

Occupational Health and Safety Measures

– Safety Responsibility Assessment System

Our Group attaches great importance to the working environment and safety assurance of its employees. In order to ensure that systems on safety production responsibilities are implemented, our Group has developed a safety responsibility assessment system, which establishes different safety responsibility assessment items for departments, foremen (team leaders) and employees. Our Group will carry out year-end assessments on safety responsibility for employees at all levels with the safety responsibility assessment system, and provide rewards or impose punishments based on the assessment results correspondingly.

– Safety Facilities/Protective Equipment Management System

Our Group strictly manages its safety facilities including alarm devices for production equipment, explosion-proof and pressure-relief devices, and overload protection devices for electrical equipment, and arranges specified personnel to be responsible for regular patrol inspection, maintenance and management. In addition, based on the list of our safety facilities, our Group provides full sets of safety and protective gear to its employees, including safety helmet, safety net, protective mask, special gloves, oxygen breathing apparatus, to ensure the work safety and physical health of our employees.

– Hidden Safety Issues Investigation And Rectification Management System

In order to further implement the Order No.16 of the State Administration of Work Safety (國家安全生產監督管理總局令（第16號）) and effectively implement of the Code for Investigation and Management of Hidden Safety Issues of Safety Production Accidents in Production and Operation Units in Jiangsu Province (江蘇省生產經營單位安全生產事故隱患排查治理工作規範), our Group has formulated this system. The specific contents of the system include regular safety inspections (including at least two comprehensive safety inspections per month and at least four departmental safety inspections per month), recording the details of hidden safety issues investigations for control, and establishing a special account for hidden safety issues rectification and management. Our security department supervises and reviews the rectification and management.

– Safety Training and Training for Emergency

Our Group actively held safety training activities and training activities for emergency in 2018. The management safety training activities were held once a month.The workshop safety learning activities were held once or twice a month. Besides, one management approach and environmental safety awareness education and training activity, one employee safety production and fire safety knowledge training activity, and one training activity for emergency were held. In addition, our Group also held one safety training and education activity for construction contractors in 2018, and the specific training contents offered included the information on the major dangerous places and equipment in the Company and their safety protection measures on precautions, and safety technical knowledge covering mechanical, electrical, lifting, transportation aspects to ensure the safe operation of the construction contractors after entering our office area.

3.1.3 Overview of Employee Development and Training

In order to support the personal development of our employees, our Group provides various kinds of on-the-job training or external training. In 2018, in addition to the monthly workshop safety learning activities and management safety training activities, our Group held ten training sessions in total, including the staff code and related management regulations training, quality standards and the Company's system related documents training, employee safety production and fire safety knowledge training, special equipment operation training. There were about 300 participants participated in those training during the year, with a total training duration of about 50 hours.

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

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

3.2 ANALYSIS OF CURRENT STATUS OF OPERATIONAL MANAGEMENT

3.2.1 Overview of Supply Chain Management

Our Group has set clear requirements on selection and management of suppliers to ensure standardized management and proper selection of suppliers. For the selection of suppliers, our Group mainly considered that (i) the products in line with the technical standards of the Company; (ii) stable quality; (iii) timely delivery; and (iv) reasonable price and integrity.

As of 31 December 2018, our Group had 296 suppliers in total, which included 288 domestic suppliers, six European suppliers and two Singaporean suppliers. Our 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. Our 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 our after-sale service department will prepare the report of after-sale service quality. Such two reports will be maintained in the database of suppliers of the procurement department as a major basis of supplier assessment in the future.

Our Group conducts assessment on suppliers annually, during which the procurement department, the quality inspection department and our 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 to ensure an effective control over operational risks resulting from improper selection, unreasonable method or fraudulent practice of suppliers.

3.2.2 Overview of Product Safety Conditions

In 2018, no products sold by our Group were recalled for safety and health reasons, nor were there any complaints regarding product issues or service quality issues.

In order to strengthen the after-sales services of products, establish an operation concept of "Market-focused and Customer-oriented" to meet the evolving needs of customers and improve customer satisfaction, our Group has especially formulated the Management Methods on After-sales Services (the "**Methods**"). Upon receiving complaints, our Group shall promptly deal with the complaints in accordance with the Methods. 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 our 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.

Our Group had established a detailed patent management system covering five major aspects in accordance with the Patent Law of the PRC (中華人民共和國專利法) and the Detailed Rules for the Implementation of the Patent Law of the PRC (中華人民共和國專利法實施細則等有關規定), including general patent management regulations, specific management terms, patent applications, patent licensing and patent protection, which effectively regulates our Group's use of patent and protection mechanism.

3.2.3 Summary of Anti-corruption Measures of our Group

Our Group 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, our Group saw no legal cases regarding corrupt practices.

3.3 OVERVIEW OF COMMUNITY INVESTMENT OF OUR GROUP

In 2018, our Group actively fulfilled its corporate social responsibilities. In August 2018, our Group donated RMB150,000 to the Education Care Fund for Qiting Subdistrict, Yixing City, which will be used to reward outstanding teachers and students and support impoverished teachers and students. In January 2019, Ms. Gu Jufang, our executive Director and the general manager, donated winter supplies to the impoverished households in the Benma Community of the Economic Development Zone of Yixing City in her own name.

(Ceremony for the establishment of Education Care Fund for Qiting Subdistrict)

(Ms. Gu Jufang donated winter supplies to the Benma Community)

INDEPENDENT AUDITOR'S REPORT

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 75 to 135, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, 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 2018 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.

Revenue recognition

Refer to note 3 to the consolidated financial statements and the accounting policies on pages 97 to 98.

The Key Audit Matter	How the matter was addressed in our audit
The Group's revenue is mainly derived from sale of oil refining agents and fuel additives. The Group recognises revenue when the Group satisfies its performance obligations by transferring the control of promised goods to the customer. Management evaluates the terms of individual contracts in order to determine the appropriate timing for revenue recognition, which varies amongst customers. The Group determines that control of goods are transferred for domestic sales when the goods are delivered to the customer's designated premises and accepted by these customers, and for export sales when the goods are loaded on board a shipping vessel in line with contractual arrangements and related agreed commercial shipping terms.	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 timing of control over goods transfer 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 goods delivery documents like customers' acknowledgement of goods acceptance, shipping documents, customs declaration forms, whichever is applicable, and assessing whether the related revenue had been recognised in accordance with the Group's revenue recognition accounting policies;

Revenue recognition	
Refer to note 3 to the consolidated financial statements and the accounting policies on pages 97 to 98.	
The Key Audit Matter	**How the matter was addressed in our audit**
We identify 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.	• comparing, on a sample basis, revenue transactions recorded before and after the reporting date with underlying goods delivery documents like customers' acknowledgement of goods acceptance, shipping documents, customs declaration forms to determine whether the related revenue had been recognised in the appropriate financial period; • inspecting underlying documentation for manual journal entries relating to revenue raised during the year on a sample basis, to assess if these manual journal entries are properly supported and appropriately made in accordance with the Group's revenue recognition accounting policies.

Loss allowance for trade receivables

Refer to note 14 and note 21(a) to the consolidated financial statements and the accounting policies on pages 87 to 92.

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2018, the Group's gross trade receivables totalled RMB 81.8 million, against which loss allowance of RMB 0.1 million was recorded. The Group's trade receivables mainly arose from sale of oil refining agents and fuel additives. Management measured loss allowance at an amount equal to lifetime expected credit loss based on aging of the receivables and estimated loss rates. The estimated loss rates take into account the ageing of trade receivable balances, the repayment history of the Group's individual customers, current market conditions and customer-specific conditions, all of which involve a significant degree of management judgement.	Our audit procedures to assess the loss allowance for trade receivables included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to credit control, estimate of expected credit losses and making related allowances; • obtaining an understanding on the key data and assumptions of the expected credit loss model adopted by management, including the historical default data and the assumptions involved in determining management's estimated loss rate; • assessing the reasonableness of management's estimation of loss allowance by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information;

Loss allowance for trade receivables	
Refer to note 14 and note 21(a) to the consolidated financial statements and the accounting policies on pages 87 to 92.	
The Key Audit Matter	**How the matter was addressed in our audit**
We identify loss allowance for trade receivables as a key audit matter because trade receivables is material to the Group and because the determination of expected credit losses is inherently subjective and requires the exercise of significant management judgement.	• assessing whether items were correctly categorised in the trade receivables aging report by comparing a sample of individual items with the underlying goods delivery notes, sales invoices and other relevant underlying documentation; and • comparing, on a sample basis, cash receipts from debtors subsequent to the financial year end relating to trade receivable balances at 31 December 2018 with bank-in slips.

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
29 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2018
(Expressed in Renminbi Yuan)

	Note	2018	2017
		RMB'000	*RMB'000*
Revenue	3	**177,119**	186,823
Cost of sales		**(123,944)**	(117,665)
Gross profit		**53,175**	69,158
Other income	4	**6,042**	846
Sales and marketing expenses		**(7,621)**	(7,547)
General and administrative expenses		**(17,569)**	(21,900)
Research and development expenses	5(c)	**(7,751)**	(7,941)
Profit from operations		**26,276**	32,616
Finance costs	5(a)	**(334)**	(297)
Profit before taxation	5	**25,942**	32,319
Income tax	6	**(2,970)**	(4,942)
Profit for the year		**22,972**	27,377
Earnings per share	9		
Basic and diluted (RMB cents)		**5.09**	7.60

The notes on page 81 to 135 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018
(Expressed in Renminbi Yuan)

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

The notes on page 81 to 135 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2018

(Expressed in Renminbi Yuan)

	Note	2018	2017
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment	10	**33,565**	19,565
Lease prepayment	11	**3,404**	3,504
Deferred tax assets	19(b)	**1,221**	446
		38,190	23,515
Current assets			
Inventories	13	**24,622**	15,746
Trade and other receivables	14	**96,413**	91,954
Cash and cash equivalents	15	**111,690**	25,973
		232,725	133,673
Current liabilities			
Bank loan	18	**—**	18,000
Trade and other payables	17	**20,883**	27,839
Contract liabilities	16	**492**	—
Income tax payable	19(a)	**5,033**	4,038
		26,408	49,877
Net current assets		**206,317**	83,796
Total assets less current liabilities		**244,507**	107,311
NET ASSETS		**244,507**	107,311

The notes on page 81 to 135 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

at 31 December 2018

(Expressed in Renminbi Yuan)

	Note	**2018**	2017
		RMB'000	*RMB'000*
CAPITAL AND RESERVES			
Share capital	20	**3,873**	—
Reserves	20	**240,634**	107,311
TOTAL EQUITY		**244,507**	107,311

Approved and authorised for issue by the board of directors on 29 March 2019.

	)	
Ge Xiaojun	)	
	)	Directors
Gu Jufang	)	
	)	

The notes on page 81 to 135 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018
(Expressed in Renminbi Yuan)

	Share capital *RMB'000* *Note 20(c)*	Share premium *RMB'000* *Note 20(d)*	Capital reserve *RMB'000* *Note 20(e)*	PRC statutory reserve *RMB'000* *Note 20(f)*	Exchange reserve *RMB'000*	Retained earnings *RMB'000*	Total equity *RMB'000*
Balance at 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 20(b))	—	—	—	—	—	(20,415)	(20,415)
Arising from the reorganization (note 20(c))	(79,938)	—	79,938	—	—	—	—
Balance at 31 December 2017 and 1 January 2018	**—**	**—**	**79,938**	**15,333**	**—**	**12,040**	**107,311**
Profit for the year	—	—	—	—	—	22,972	22,972
Other comprehensive income	—	—	—	—	5,857	—	5,857
Total comprehensive income	—	—	—	—	5,857	22,972	28,829
Appropriation to reserve	—	—	—	2,411	—	(2,411)	—
Capitalization issue (note 20(c))	2,913	(2,913)	—	—	—	—	—
Issue of ordinary shares by initial public offering, net of issuance cost (note 20(c))	960	107,407	—	—	—	—	108,367
Balance at 31 December 2018	**3,873**	**104,494**	**79,938**	**17,744**	**5,857**	**32,601**	**244,507**

The notes on page 81 to 135 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2018
(Expressed in Renminbi Yuan)

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

The notes on page 81 to 135 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities 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 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

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

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "**Group**").

(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 investments in debt securities (see Note 1(e)).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(ii) Use of estimates and judgments

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

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

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 2.

(c) Changes in accounting policies

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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, transactions and cash flows 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.

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 1(i) (ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Other Investments in debt securities

The Group's policies for investments in debt securities, other than investments in subsidiaries, are set out below.

Investments in debt securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

(A) Policy applicable from 1 January 2018

Investments in debt securities held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(s) (ii)).

– fair value through other comprehensive income (FVOCI) - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(B) Policy applicable prior to 1 January 2018

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost.

Investments in debt securities which did not fall into any of the above categories were classified as available-for-sale financial assets. Available-for-sale financial assets were initially stated at fair value plus any directly attributable transaction costs. At the end of each reporting period the fair value was 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 was recognised using the effective interest method in profit or loss in accordance with the policy set out in note 1(s) (ii). When these financial assets were derecognised or impaired (note 1(i) (i)), the cumulative gain or loss was reclassified from equity to profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) 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 1(i) (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

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 1(i) (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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) 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.

(h) 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 1(i) (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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Credit losses and impairment of assets

(i) Credit losses from financial assets measured at amortised cost

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial assets measured at amortised cost *(continued)*

(A) Policy applicable from 1 January 2018 *(continued)*

For all other financial instruments,the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial assets measured at amortised cost *(continued)*

(A) Policy applicable from 1 January 2018 *(continued)*

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for financial assets measured at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 1(s) (ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial assets measured at amortised cost *(continued)*

(A) Policy applicable from 1 January 2018 *(continued)*

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables, available-for-sale financial assets). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial assets measured at amortised cost *(continued)*

(B) Policy applicable prior to 1 January 2018 *(continued)*

If any such evidence existed, an impairment loss was determined and recognised as follows:

— For trade and other receivables carried at amortised cost, the impairment loss was 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, where the effect of discounting was material. The Group assessed whether objective evidence of impairment exists for each individual financial asset. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were 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 decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial assets measured at amortised cost *(continued)*

(B) Policy applicable prior to 1 January 2018 *(continued)*

— For available-for-sale securities, the cumulative loss that had been recognised in the fair value reserve (recycling) was reclassified to profit or loss. The amount of the cumulative loss that was recognised in profit or loss was 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 were not reversed through profit or loss. Any subsequent increase in the fair value of such assets was recognised in other comprehensive income.

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

(ii) Impairment of other non-current 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, except in the case of goodwill, 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 of disposal 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).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Credit losses and impairment of assets *(continued)*

(ii) Impairment of other non-current assets *(continued)*

— 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 favourable 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.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(i) (i) and (ii)).

(j) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Inventories *(continued)*

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.

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(i) (i)).

(l) 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. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(i) (i).

(m) Contract liabilities

A contract liability is recognized when the customer pays consideration before the Group recognizes the related revenue (see note 1(s)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) 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 using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(u)).

(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 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 year, 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.

1 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.

1 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 recognized 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.

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Revenue and other income *(continued)*

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the goods.

In the comparative period, revenue from sales of goods was recognised when the goods were delivered to the customers' premises, which was taken to be the point in time when the customer had accepted the goods and the related risks and rewards of ownership. There is no impact to opening balance as at 1 January 2018.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(i) (i)).

(iii) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Translation of foreign currencies

Foreign currency transactions during the year 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. The transaction date is the date on which the Company initially recognizes such non-monetary assets or liabilities. 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.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(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.

1 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.

2 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) Provision for expected credit losses of trade receivables

The Group uses a provision of matrix to calculate ECLs for trade receivables. The provision matrix is based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the ageing of trade receivable balances, the repayment history of the Group's individual customers, current market conditions and customer-specific conditions, all of which involve a significant degree of management judgement.

The provision of ECLs is sensitive to changes in circumstances and of customer-specific conditions. The information about the ECLs and trade receivables are disclosed in notes 14 and 21(a). If the financial condition of the customers was to deteriorate, actual loss allowance would be higher than estimated.

2 ACCOUNTING JUDGEMENT AND ESTIMATES *(continued)*

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

(ii) Net realizable value of inventories

As described in note 1(j), 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.

3 REVENUE

(a) Disaggregation of revenue

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

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

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

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

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

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

Details of concentrations of credit risk arising from these customers are set out in note 21(a).

3 REVENUE *(continued)*

(a) Disaggregation of revenue *(continued)*

(ii) Disaggregation of revenue from contracts with customers by 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 customers' location. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of lease prepayment. During the year ended 31 December 2018, substantially all specified non-current assets were physically located in the PRC.

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

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

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

(b) Segment reporting

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by 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.

4 OTHER INCOME

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

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

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

(b) Staff costs

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

(i) Employees of 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.

5 PROFIT BEFORE TAXATION *(continued)*

(c) Other items

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

(i) Cost of inventories includes the following amounts, which are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

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

6 INCOME TAX

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

	2018 RMB'000	2017 RMB'000
Current tax:		
Provision for current income tax for the year	**4,014**	4,997
Over-provision in prior years	**(269)**	—
	3,745	4,997
Deferred tax:		
Origination and reversal of temporary differences (note 19(b))	**(775)**	(55)
	2,970	4,942

6 INCOME TAX *(continued)*

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

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

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

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

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

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

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

7 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 2018

	Director's fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Total *RMB'000*
Executive directors					
Mr. Ge Xiaojun	—	205	36	7	248
Ms. Gu Jufang	—	150	36	—	186
Mr. Huang Lei	—	184	32	7	223
Mr. Jiang Caijun	—	184	32	7	223
Mr. Fan Yaqiang	—	102	18	7	127
Non-executive director					
Mr. Gu Yao	103	—	—	—	103
Independent non-executive directors					
Mr. Fan Peng	86	—	—	—	86
Mr. Guan Dongtao	86	—	—	—	86
Ms. Wu Yan	86	—	—	—	86
	361	825	154	28	1,368

7 DIRECTOR'S EMOLUMENTS *(continued)*

Year ended 31 December 2017

	Director's fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Total *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

Mr. Ge Xiaojun and Ms. Gu Jufang were appointed as executive directors of the Company on 18 September 2017.

Mr. Huang Lei, Mr. Jiang Caijun and Mr. Fan Yaqiang were retired and re-appointed as executive directors of the Company on 30 May 2018.

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

Mr. Fan Peng, Mr. Guan Dongtao and Ms. Wu Yan were appointed as independent non-executive directors of the Company on 7 March 2018.

All Executive directors of the Group waived or agreed to waive director's fees 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 8 below as an inducement to join or upon joining the Group or as compensation for loss of office.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2017: three) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2017: two) individuals are as follows:

	2018	2017
	RMB'000	*RMB'000*
Salaries, allowance and benefits in kind	**313**	223
Discretionary bonuses	**60**	34
Retirement scheme contributions	**14**	46
	387	303

The emoluments of the two (2017: two) individuals with the highest emoluments are within the following band:

	2018	2017
	Number of individuals	*Number of individuals*
Nil - HK$1,000,000	**2**	2

9 EARNINGS PER SHARE

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

(i) Weighted average number of ordinary shares

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

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

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

10 PROPERTY, PLANT AND EQUIPMENT

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

At 31 December 2017, certain properties of the Group with a carrying amount of RMB5,195,000 were pledged to secure the bank loan of the Group as detailed in note 18.

11 LEASE PREPAYMENT

	2018	2017
	RMB'000	*RMB'000*
At 1 January and 31 December	**5,005**	5,005
Accumulated amortization:		
At 1 January	**(1,501)**	(1,401)
Charge for the year	**(100)**	(100)
At 31 December	**(1,601)**	(1,501)
Net book value:		
At 31 December	**3,404**	3,504

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 RMB3,504,000 was pledged to secure the bank loan of the Group as detailed in note 18.

12 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**		**Principal activities**
			Direct	**Indirect**	
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 20,000,000	—	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.

13 INVENTORIES

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

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

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

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

14 TRADE AND OTHER RECEIVABLES

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

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

14 TRADE AND OTHER RECEIVABLES *(continued)*

(a) Ageing analysis

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

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

Further details on the Group's credit policy are set out in note 21(a).

(b) Bills receivables

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

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

As at 31 December 2018, 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 RMB200,000 (2017: RMB3,050,000).

15 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

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

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

	Note	2018	2017
		RMB'000	*RMB'000*
Profit before taxation		**25,942**	32,319
Adjustments for:			
Depreciation	5(c)	**2,576**	2,465
Amortization of lease prepayment	5(c)	**100**	100
Reversal of write-down of inventories	13(b)	**(2)**	(26)
Finance costs		**334**	297
Interest income	4	**(1,915)**	(131)
Foreign exchange differences		**25**	(16)
Changes in working capital:			
(Increase)/decrease in inventories		**(8,874)**	1,246
Increase in trade and other receivables		**(4,459)**	(21,842)
(Decrease)/increase in trade and other payables		**(3,331)**	10,937
Increase in contract liabilities		**492**	—
Cash generated from operations		**10,888**	25,349

15 CASH AND CASH EQUIVALENTS *(continued)*

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

	Bank loan	**Dividends payable**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
	(Note 18)	*(Note 17)*	
Balance at 1 January 2017	—	22,848	22,848
Non-cash changes			
– Profit distributions (note 20(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 and 1 January 2018	18,000	—	18,000
Cash flows			
– Outflow from financing activities	(18,000)	—	(18,000)
Balance at 31 December 2018	—	—	—

(i) Pursuant to a debt transfer and set-off agreement entered into on 7 September 2017 among 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 RMB9,326,000, less related withholding tax, was offset by its amounts due from the Controlling Shareholder of RMB8,393,000.

16 CONTRACT LIABILITIES

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

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

16 CONTRACT LIABILITIES *(continued)*

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

Made-to-order manufacturing arrangements

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

Movements in contract liabilities

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

17 TRADE AND OTHER PAYABLES

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

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

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

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

18 BANK LOAN

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

19 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

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

(b) Deferred tax assets recognised:

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

Deferred tax arising from:	**Credit loss allowance**	**Inventory provision**	**Accrued expenses and other payables**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2017	17	46	328	391
(Charged)/credited to profit or loss (note 6(a))	(10)	(7)	72	55
Balance at 31 December 2017 and 1 January 2018	7	39	400	446
Credited/(charged) to profit or loss (note 6(a))	9	(3)	769	775
Balance at 31 December 2018	16	36	1,169	1,221

19 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:

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

(c) Deferred tax liabilities not recognised:

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

20 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 *RMB'000* *Note 24*	Share premium *RMB'000* *Note 24*	Exchange reserve *RMB'000* *Note 24*	Accumulated losses *RMB'000* *Note 24*	Total *RMB'000*
Balance at 1 January 2017	—	—	—	—	—
Total comprehensive income (note 24)	—	—	—	(52)	(52)
Arising from the reorganisation (note 24)	—*	—	—	—	—
Balance at 31 December 2017 and 1 January 2018	—*	—	—	(52)	(52)
Total comprehensive income (note 24)	—	—	9,994	(971)	9,023
Capitalization issue (note 20(c))	2,913	(2,913)	—	—	—
Issue of ordinary shares by initial public offering, net of issuance costs(note 20(c))	960	107,407	—	—	108,367
Balance at 31 December 2018	3,873	104,494	9,994	(1,023)	117,338

* The balances represented amount less than RMB1,000.

20 CAPITAL AND RESERVES *(continued)*

(b) Profit distribution

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

	2018	2017
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of HK$0.01 per ordinary share (2017: nil)	**4,104**	—

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

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

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

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

20 CAPITAL AND RESERVES *(continued)*

(c) Share capital

(i) Authorized and issued share capital

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

* The balance represented number less than 1,000.

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

Upon the completion of various steps of the Reorganization, the Company became the holding company of the companies comprising 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 HK$ 0.01 of the Company.

20 CAPITAL AND RESERVES *(continued)*

(c) Share capital *(continued)*

(ii) Capitalization issue

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

(iii) Issue of ordinary shares by initial public offering

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

(d) Share premium

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

(e) 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.

20 CAPITAL AND RESERVES *(continued)*

(f) 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.

(g) 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 2018, the Group had bank loans amounting to nil (2017: RMB18,000,000). The Group had bank deposits and cash balance as at 31 December 2018 amounting to RMB111,690,000 (2017: RMB25,973,000).

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 plus unaccrued proposed dividends, less cash and cash equivalents. Total equity comprises all components of equity, less unaccrued proposed dividends.

During the year ended 31 December 2018, 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.

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

Financial assets of the Group include cash and cash equivalents and 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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents, bills receivable is limited because the counterparties are banks and financial institutions with high credit ratings, for which the Group considers to have low credit risk.

Trade receivables

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 2018, 4.1% (2017: 5.9%) of the total trade receivables were due from the Group's largest customer and 13.2% (2017: 49.9%) of the total trade receivables were due from the Group's five largest customers respectively.

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. 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 30-120 days from the date of billing. Normally, the Group does not obtain collateral from customers.

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

(a) Credit risk *(continued)*

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customers, the loss allowance based on past due status is not further distinguished between the Group's different customers.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
Current (not past due)	0.03%	55,763	17
Less than 6 months past due	0.08%	17,857	14
6 to 12 months past due	0.65%	4,384	28
More than 12 months past due	1.32%	3,807	50
		81,811	109

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Comparative information under HKAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 1(i) (i) – policy applicable prior to 1 January 2018). At 31 December 2017, trade receivables of RMB48,000 were determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

	2017
	RMB'000
Neither past due nor impaired	20,250
Less than 6 months past due	56,394
6 to 12 months past due	2,829
	79,473

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

(a) Credit risk *(continued)*

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.

Trade receivables that were past due but not impaired relate to a number of independent customers that had a good payment track record 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 believed that no impairment allowance was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018	2017
	RMB'000	*RMB'000*
Balance at 31 December 2017 under HKAS 39	**48**	
Impact on initial application of HKFRS 9	**—**	
Balance at 1 January	**48**	112
Amounts written off during the year	**(17)**	(64)
Impairment losses recognised during the year	**78**	—
Balance at 31 December	**109**	48

21 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 2018			
	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	**20,883**	**—**	**20,883**	**20,883**

	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

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

(c) Foreign currency risk

The Group is exposed to currency risk primarily through 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"), Euros ("EUR") and Hong Kong Dollars ("HKD").

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)	
	2018	2017
	RMB'000	*RMB'000*
Cash and cash equivalents	**1,249**	163
Trade and other receivables	**11,519**	21,102
	12,768	21,265

	Exposure to EUR (expressed in RMB)	
	2018	2017
	RMB'000	*RMB'000*
Cash and cash equivalents	**234**	196

	Exposure to HKD (expressed in RMB)	
	2018	2017
	RMB'000	*RMB'000*
Cash and cash equivalents	**1,316**	—

21 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 have significant exposure at the end of each reporting period had changed at that date, assuming all other risk variables remained constant:

	2018		2017	
	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%**	**543**	5%	904
	-5%	**(543)**	-5%	(904)
EUR	**5%**	**10**	5%	8
	-5%	**(10)**	-5%	(8)
HKD	**5%**	**56**	5%	—
	-5%	**(56)**	-5%	—

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.

21 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

(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 2018 and 2017.

22 COMMITMENT

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

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

23 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
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
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.

(a) Transactions with related parties

	2018 ***RMB'000***	2017 *RMB'000*
Non-recurring transactions:		
Cash collection on behalf of the Group		
Earn Wealth	–	18,090
Advance to related parties		
Ge Xiaojun and Gu Jufang	–	1,819
Proceeds from repayment of advance to related parties		
Jiangsu Hongming	–	6,971
Ge Xiaojun and Gu Jufang	–	2,600
	–	9,571

As at 31 December 2018, the Group did not carry any balances with related parties (2017:nil.).

23 RELATED PARTY TRANSACTIONS *(continued)*

(b) 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 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Short-term employee benefits	**1,713**	945
Post-employee benefits	**42**	130
	1,755	1,075

Total remuneration is included in "staff costs" (see note 5(b)).

24 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2018 *RMB'000*	As at 31 December 2017 *RMB'000*
Non-current assets			
Investment in a subsidiary	(note i)	**—***	—*
Amounts due from subsidiaries		**61,643**	—
		61,643	—*
Current assets			
Other receivables		**180**	—
Cash and cash equivalents		**55,542**	—
		55,722	—
Current liabilities			
Other payables		**27**	—
Amount due to a subsidiary		**—***	52
		27	52
Net current assets/(liabilities)		**55,695**	(52)
Total assets less current liabilities		**117,338**	(52)
NET ASSETS/(LIABILITIES)		**117,338**	(52)
EQUITY			
Share capital		**3,873**	—*
Reserves		**113,465**	(52)
TOTAL EQUITY/(DEFICIT)		**117,338**	(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 RMB1,000.

(Expressed in Renminbi Yuan unless otherwise indicated)

25 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 20(b).

26 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2018, 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.

27 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, Leases	1 January 2019
HK(IFRIC) 23, Uncertainty over income tax treatments	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of HKFRS 16 is unlikely to have a significant impact on the Group's results of operations and financial position. Further details of the expected impacts are discussed below.

While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard 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 standard is initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

27 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 *(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 recognize and measure a lease liability at the present value of the minimum future lease payments and will recognize a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognize 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 recognized on a systematic basis over the lease term.

The Group does not plan to early adopt the above new standards or amendments. 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, 2017and 2018.

	Year ended 31 December				
	2014	2015	2016	2017	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
RESULTS					
Profit from operations	19,393	27,645	39,123	32,616	**26,276**
Profit before tax	19,393	27,645	39,123	32,319	**25,942**
Income tax expense	(2,973)	(4,443)	(5,777)	(4,942)	**(2,970)**
Net profit and total comprehensive income for the year	16,420	23,202	33,346	27,337	**22,972**
ASSETS AND LIABILITIES					
Total assets	102,292	126,875	144,220	157,188	**270,915**
Current liabilities	32,026	16,872	43,871	49,877	**26,408**
Total equity	70,266	110,003	100,349	107,311	**244,507**

Note:

The summary of assets and liabilities of our Group as of 31 December 2014, 2015 and 2016 and the summary of the results of our Group for the years ended 31 December 2014, 2015 and 2016 have been extracted from the Prospectus.

DEFINITIONS

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 2:00 p.m. on Wednesday, 29 May 2019
"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 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"	Main Board 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 2018
"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$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Sinopec"	China Petrochemical Corporation (中國石油化工集團公司)
"Yixing"	Yixing City (宜興市), a county under the juristdiction of Wuxi City, Jiangsu Province, PRC
"Yixing Plant"	our production facilities located in Yixing
"US$" or "USD"	U.S dollars, the lawful currency of the United States of America
"%"	per cent.