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JSCX

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2116)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of Jiangsu Innovative Ecological New Materials Limited (the "**Company**") is pleased to announce the audited annual results (the "**Annual Results**") of the Company and its subsidiaries (the "**Group**", "**we**", "**us**" or "**our**") for the year ended 31 December 2023 (the "**Reporting Period**"), together with comparative figures for the corresponding period in 2022. The Board and the audit committee of the Company (the "**Audit Committee**") have reviewed and confirmed the Annual Results.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2023
*(Expressed in Renminbi (**RMB**) Yuan)*

	Note	**2023** *RMB'000*	2022 *RMB'000*
Revenue	*2*	**186,071**	257,183
Cost of sales		**(137,375)**	(203,304)
Gross profit		**48,696**	53,879
Other income	*3*	**9,312**	4,411
Sales and marketing expenses		**(9,187)**	(11,760)
General and administrative expenses		**(13,718)**	(11,793)
Research and development expenses	*4(c)*	**(8,545)**	(8,915)
Impairment loss on trade receivables		**(1,353)**	383
Profit from operations		**25,205**	26,205
Finance costs	*4(a)*	**(13)**	–
Profit before taxation	*4*	**25,192**	26,205
Income tax	*5*	**(4,071)**	(14,747)
Profit for the year		**21,121**	11,458
Earnings per share	*6*		
Basic and diluted *(RMB cents)*		**4.40**	2.39

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2023
*(Expressed in Renminbi (**RMB**) Yuan)*

	2023	2022
	RMB'000	*RMB'000*
Profit for the year	**21,121**	11,458
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	**1,236**	8,180
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside mainland China	**(399)**	(4,777)
Other comprehensive income for the year	**837**	3,403
Total comprehensive income for the year	**21,958**	14,861

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2023
*(Expressed in Renminbi (**RMB**) Yuan)*

	Note	**2023**	2022
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment	*7*	**39,743**	37,993
Right-of-use assets		**2,904**	3,004
Deferred tax assets		**–**	543
		42,647	41,540
Current assets			
Inventories		**37,099**	33,544
Trade and other receivables	*8*	**82,907**	119,457
Prepayments		**1,539**	6,454
Cash and cash equivalents		**95,204**	146,484
		216,749	305,939
Current liabilities			
Trade and other payables	*9*	**24,469**	28,172
Contract liabilities		**2,210**	–
Income tax payable		**4,327**	5,460
		31,006	33,632
Net current assets		**185,743**	272,307
Total assets less current liabilities		**228,390**	313,847
Non-current liabilities			
Deferred tax liabilities		**2,637**	13,368
		2,637	13,368
NET ASSETS		**225,753**	300,479
CAPITAL AND RESERVES			
Share capital	*10*	**3,873**	3,873
Reserves	*10*	**221,880**	296,606
TOTAL EQUITY		**225,753**	300,479

NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in Renminbi (**RMB**) Yuan unless otherwise indicated)*

1 MATERIAL 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**") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"). Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of 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 accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

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

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "**Group**").

(i) Basis of measurement

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

(ii) Use of estimates and judgments

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

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

(c) Changes in accounting policies

The HKICPA has issued the following new and amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 17, Insurance contracts
- Amendment to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates
- Amendments to HKAS 1, Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies
- Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to HKAS 12, Income taxes: International tax reform – Pillar Two model rules

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

2 REVENUE

(a) Disaggregation of revenue

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

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of oil refining agents	**111,571**	151,085
Sales of fuel additives	**74,500**	106,098
Total	**186,071**	257,183

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

For the year ended 31 December 2023, there was no single customer who contributed 10 percent or more of the Group's revenue. 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 2022 presented as below:

	2023	2022
	RMB'000	*RMB'000*
Customer A	*****	26,880

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

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

The following table sets out information about the geographical location of our Group's revenue from external customers. The geographical location of revenue is based on the customers' location. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of right-of-use assets. During the year ended 31 December 2023, substantially all specified non-current assets were physically located in the People's Republic of China (the "**PRC**").

	2023	2022
	RMB'000	*RMB'000*
Chinese Mainland	**185,959**	237,562
Sudan	**–**	17,967
Other countries and regions	**112**	1,654
Total	**186,071**	257,183

(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(a) of HKFRS 15 to its sales contracts for oil refining agents and fuel additives such that the Group does not disclose information about revenue that our Group will be entitled to when it satisfied the remaining performance obligations under the contracts for sales of oil refining agents and fuel additives that had an original expected duration of one year or less.

(b) Segment reporting

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

3 OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
Service income	**147**	119
Government grants	**2,215**	58
Net foreign exchange gain	**1,974**	1,049
Interest income on financial assets measured at amortised cost	**4,736**	720
Income from wealth management products	**155**	2,217
Scrap sales	**423**	287
Net loss on disposal of property, plant and equipment	**(332)**	(3)
Others	**(6)**	(36)
Total	**9,312**	4,411

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2023	2022
	RMB'000	*RMB'000*
Interest on other borrowings	**13**	–

(b) Staff costs

	2023	2022
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**8,053**	7,183
Contributions to defined contribution retirement plans (i)	**371**	365
	8,424	7,548

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

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

(c) Other items

	2023	2022
	RMB'000	*RMB'000*
Cost of inventories (i)	**142,552**	209,350
Depreciation of property, plant and equipment	**5,355**	5,297
Depreciation of right-of-use assets	**100**	100
Impairment losses of trade receivables recognised/(reversed)	**1,353**	(383)
Auditors' remuneration		
– audit services	**1,265**	1,265
– tax services	**29**	27
	1,294	1,292

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

	2023 *RMB'000*	2022 *RMB'000*
Staff costs	**2,147**	2,049
Depreciation and amortisation	**2,532**	2,593
Research and development expenses	**5,177**	6,046

5 INCOME TAX

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

	2023 *RMB'000*	2022 *RMB'000*
Current tax:		
Provision for current income tax for the year	**3,050**	3,577
Over-provision in prior years	**(329)**	(23)
	2,721	3,554
Deferred tax:		
Origination and reversal of temporary differences	**1,350**	11,193
	4,071	14,747

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

	2023 *RMB'000*	2022 *RMB'000*
Profit before taxation	**25,192**	26,205
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned (i)	**6,047**	6,902
Tax effect of preferential tax rate (ii)	**(2,837)**	(2,764)
Over-provision in prior years	**(329)**	(23)
Tax effect of non-deductible expenses	**491**	327
Tax losses not recognised	**–**	7
Additional deduction for qualified research and development costs (iii)	**(1,112)**	(1,142)
Withholding tax on distributable profits (iv)	**1,811**	11,440
Actual income tax expense	**4,071**	14,747

(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 has renewed the qualification of High and New Technology Enterprise on 6 November 2023 with an effective period of three years from 2023 to 2025, and therefore it was entitled to the preferential income tax rate of 15%.

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

(iv) According to the PRC Corporate Income Tax Law and its relevant regulations, dividends receivable by non-PRC resident enterprises from PRC resident enterprises for earnings accumulated after 1 January 2008 are subject to withholding tax at a rate of 10% unless reduced by tax treaties or agreements. During the years ended 31 December 2023 and 2022, the Group has recognised deferred tax liabilities for withholding tax of PRC entities' distributable profits at 10%.

6 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB21,121,000 (2022: RMB11,458,000) and 480,000,000 ordinary shares (2022: 480,000,000 ordinary shares) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2023	2022
Shares in issue on 1 January and 31 December	**480,000,000**	480,000,000
Weighted average number of ordinary shares	**480,000,000**	480,000,000

There were no dilutive potential ordinary shares for the years ended 31 December 2023 and 2022; therefore, diluted earnings per share are equivalent to basic earnings per share.

7 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings *RMB'000*	Machinery and equipment *RMB'000*	Office and other equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost:					
At 1 January 2022	31,892	39,792	5,885	7,098	84,667
Additions	–	–	130	3,101	3,231
Disposals	–	–	–	(62)	(62)
At 31 December 2022 and 1 January 2023	31,892	39,792	6,015	10,137	87,836
Additions	4,551	2,815	23	50	7,439
Disposals	–	(899)	(2,551)	(226)	(3,676)
At 31 December 2023	36,443	41,708	3,487	9,961	91,599
Accumulated depreciation:					
At 1 January 2022	(16,925)	(16,648)	(4,718)	(6,311)	(44,602)
Charge for the year	(1,434)	(2,783)	(354)	(726)	(5,297)
Written back on disposals	–	–	–	56	56
At 31 December 2022 and 1 January 2023	(18,359)	(19,431)	(5,072)	(6,981)	(49,843)
Charge for the year	(1,424)	(2,784)	(313)	(834)	(5,355)
Written back on disposals	–	814	2,324	204	3,342
At 31 December 2023	(19,783)	(21,401)	(3,061)	(7,611)	(51,856)
Net book value:					
At 31 December 2023	16,660	20,307	426	2,350	39,743
At 31 December 2022	13,533	20,361	943	3,156	37,993

8 TRADE AND OTHER RECEIVABLES

	2023 ***RMB'000***	2022 *RMB'000*
Trade receivables, net of loss allowance *(note (a))*	**62,313**	107,521
Bills receivables *(note (b))*	**18,052**	9,230
Other receivables	**2,542**	2,706
Financial assets measured at amortised cost	**82,907**	119,457
Trade and other receivables, net	**82,907**	119,457

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

(a) Ageing analysis

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

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**50,317**	97,705
After 3 months but within 6 months	**8,179**	8,961
After 6 months but within 1 year	**663**	855
After 1 year but within 2 years	**3,154**	–
Trade receivables, net of loss allowance	**62,313**	107,521

(b) Bills receivables

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

As at 31 December 2023, the Group endorsed undue bills receivable of RMB3,070,585 (2022: RMB1,893,500) to its suppliers to settle trade payables of the same amount and derecognised these bills receivable and payables to suppliers in their entirety from balance sheet as the Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred.

As at 31 December 2023, our 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 RMB3,070,585 (2022: RMB1,893,500).

9 TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables *(note (a))*	**10,186**	11,415
Other payables and accruals	**14,283**	16,757
Trade and other payables	**24,469**	28,172

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:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**9,729**	10,656
Over 3 months but within 6 months	**304**	703
Over 6 months but within 1 year	**145**	56
Over 1 year	**8**	–
Trade payables	**10,186**	11,415

10 CAPITAL AND RESERVES

(a) Dividends

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

	2023	2022
	RMB'000	*RMB'000*
Interim dividend declared and paid of Hong Kong Dollar ("**HK$**") 0.21 per ordinary share (2022: Nil)	**92,461**	–
Final dividend proposed after the end of the reporting period of HK$0.02 per ordinary share (2022: HK$0.01 per ordinary share)	**8,711**	4,223
	101,172	4,223

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

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

	2023	2022
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.01 per share (2022: HK$0.01 per share)	**4,223**	3,874

(b) Share capital

(i) Authorized and issued share capital

	Par value	No. of shares	HK$
	HK$	*'000*	*'000*
Ordinary shares, issued and fully paid			
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	0.01	480,000	4,800
RMB equivalent *('000)*			3,873

(c) Share premium

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

11 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 10(a).

MANAGEMENT DISCUSSION AND ANALYSIS

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

Industry Overview

The total oil refining capacity of the PRC reached 920 million tons per year by the end of 2022 and for the first time, the PRC has surpassed the United States of America and become the world's largest oil refining country. In 2023, the PRC's oil market fully recovered as the COVID-19 pandemic subsided. According to the "Report on the Development of Domestic and Foreign Oil and Gas Industry in 2023" released by China National Petroleum Corporation's Research Institute of Economics and Technology in February 2024, the PRC's oil refining capacity further increased to 936 million tons per year in 2023, securing the first place in the world; for the whole year of 2023, the total domestic petroleum consumption was approximately 756 million tons and the actual crude oil processing volume reached 738 million tons, both of which hit a new record high; and the total consumption of refined fuel oils reached 399 million tons, representing a year-on-year increase of more than 9%.

In 2024, the PRC's economic recovery will be favorable for oil consumption to continue to rise, but the stage of substantial recovery rebound may have ended, therefore, the growth rate of gasoline and diesel consumption may slow down, however, with the increase in per capita income and the further improvement of air transportation facilities, there is still a big room for growth in the PRC's demand for aviation fuel in the future.

By the end of 2023, the number of refineries with 10-million-ton-plus annual processing capacity in the PRC reached 36, of which nearly 70% have become refining-chemical integrated enterprises. In 2024, a number of new refining-chemical integrated projects, such as the Yulong Island Refining-Chemical Integrated Project, will be put into operation, thus supporting the continued increase of the domestic crude oil processing volume, and it is expected that the actual crude oil processing volume of the PRC for the year 2024 will reach 753 million tons.

According to the Announcement on Matters Relating to the Implementation of the National VI Emission Standard for Vehicles* (關於實施汽車國六排放標準有關事宜的公告) jointly issued by China's Ministry of Ecology and Environment, Ministry of Industry and Information Technology, etc., the Standard B of the National VI Emission Standard has been fully implemented since 1 July 2023, and a ban on the production, importation and sale of vehicles that do not comply with Standard B of the National VI Emission Standard has been initiated at the same time. This will support the domestic market demand for fuel additives.

At the same time, we have noted that the PRC's oil refining capacity is generally in surplus, and the development of new energy vehicles represented by electric cars, will further affect the market demand for fuel oils. In October 2023, China National Development and Reform Commission and three other ministries jointly issued the "Guidance on Promoting Green, Innovative and High-quality Development of the Oil Refining Industry", which focuses on the control of refining capacity, the optimization of production capacity layout and the green, low-carbon and intelligent development of this industry. It has pointed out that by 2025, the domestic primary oil-processing capacity should be controlled within 1 billion tons, while promoting the high-end, intelligent and green development of the oil refining industry. According to the guidance, relevant experts proposed that in the future, domestic oil refining enterprises should deepen the refining-chemical integration, do better in the optimization and balancing among "Producing less fuel oil and more chemicals", "Producing less fuel oil and more specialties" and "Reducing carbon and producing green products", and develop high-end fine chemicals and new chemical materials.

We have also noted that the replacement of fuel-oil vehicles by new-energy vehicles is a complex process that will not be smooth, but will face many challenges and uncertainties. For example, the CEO of Mercedes-Benz recently said that there would be "peaks and troughs" in the transition from fuel-oil cars to electric cars, and can produce combustion engine cars well into next decade; and the UK will push back a ban on new petrol and diesel cars and vans to 2035 from 2030.

By comprehensively analyzing the above factors, we believe that market demands for our oil refining agents and fuel additives will still continue for a long time. However, as the megatrend of "Producing less fuel oil and more chemicals and specialties" in the PRC will have a long-term impact on the demand for some of our products in the domestic market, it is necessary for the Group to accelerate the diversification of both its products and business and at the same time, add to its efforts in exploring more channels for selling products overseas.

Business Overview

In recent years, we constantly strengthened our sales force, continued our efforts in customer diversification and cooperated with more international and domestic traders, which have helped us gain many new domestic and overseas customers and supported the sales of our products. However, in 2023, the number of newly commissioned refining units decreased, so the total amount of oil refining agents required for the first-time loading decreased accordingly, which has led to the decrease in the total sales volume of our oil refining agents. In addition, the supply of fuel additives to one of our major customers for a big order was completed in 2022 and we did not receive a similar-size big order in 2023, consequently, there was also a decrease in the total sales volume of our fuel additives. Further, the outbreak of the civil war in Sudan in 2023 which led to the suspension of production of our Sudan customers, has significantly affected, and may continue to affect our export business.

As a result of the above factors, for the year of 2023, the Group's total revenue dropped to approximately RMB186.1 million, about 27.7% lower than that of last year. However, due to the decrease in income tax expense and the rise in gross profit margin, the Group recorded a total net profit of approximately RMB21.1 million in 2023, about 84.3% higher than that of last year.

In 2023, thanks to the efforts of the Group's research and development team, we were granted 3 new patent rights. In addition, among a number of new patent right applications we submitted in 2023 to relevant authorities for approval, 2 invention patent right certificates were successfully granted in January and February 2024 respectively.

Our innovation capacity, professional ability, position in the industry and the degree of refinement of products have been highly recognized by the provincial government and our Yixing Plant was identified by the relevant government department in 2023 as "Specialized, Refined and Innovative Small or Medium-Sized Enterprise of Jiangsu Province", as a result, we are entitled to more government support in our future development.

In 2023, the Group made an important breakthrough in upgrading the "Work Safety Standardization" level of our Yixing Plant. On the basis of the Grade-III Work Safety Standardization, through further improvement and upgrading of our safety facilities and safety management level, our Yixing Plant was granted the Grade-II Work Safety Standardization accreditation by the Department of Emergency Management of Jiangsu Province in March 2023. This indicates that the competent government authority has given higher recognition to the Group's safety compliance, safety facilities and safety management, which is beneficial to the Group's production, operation and development in the future.

To deeply practice the corporate culture of "To lay priority on safety, waste not and keep building a green enterprise" and perfect our work in Environmental, Social and Governance (ESG), our Yixing Plant has improved its energy management level, passed the audits of relevant organizations and was awarded the ISO50001 Certificate of Energy Management System in June 2023. Through years of continuous improvement in environmental protection and sustainable development, our Yixing Plant finally won the title of "Jiangsu Province Green Factory" issued by the relevant government department at the end of 2023, being the first chemical company in Yixing City to win this special honor.

Compliance with Key Regulatory Requirements

The following table summarizes the key statutory requirements and our compliance status for the Reporting Period:

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 shall obtain the License for the Safe Use of Hazardous Chemicals*（危險化學品安全使用許可證）if the amount of their use of hazardous chemicals has reached the stipulated quantity of hazardous chemicals.	Aiming at better health, safety and environment performance, our Group has cut the quantity of hazardous chemicals used and is no longer required to obtain the said license following the evaluation by a professional organization and the registration with related government authority in 2020. During the Reporting Period, our Group has satisfied the conditions for exemption of obtaining the said license.
According to the Measures for the Administration of permits for Trading in Hazardous Chemicals*（危險化學品經營許可證管理辦法）, enterprises which are carrying out the operation of hazardous chemicals without the License for the Safe Operation of Businesses Dealing in Hazardous Chemicals*（危險化學品經營許可證）may be ordered by the production safety administrative authorities to cease their business activities.	Our Group complied with such requirement during the Reporting Period.

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

Future Plan and Prospects

In view of the current international and domestic economic situation, industry development trend and government policies, the Group will adopt the following strategies and plans:

- In order to improve the reliability and stability of our production process and avoid safety risks caused by personnel operation errors, in 2023 we completed the transformation to the distributed control system (DCS) which automates control of our production process. In the future, we will make full use of the functions and advantages of DCS system to further improve our production efficiency and product quality.

- Under the situation of intense market competition, we will continue strengthening cost reduction and efficiency enhancement. We will closely follow and study the trend of raw materials' market prices and optimize inventory management, so as to reduce the costs of raw and auxiliary materials. We will fully utilize the newly-built DCS system to realize 100% first-time pass rate in the manufacture of our products. We will deeply implement the concept of "Waste Not" in our corporate culture, to reduce consumption as much as possible. We will take the advantage of the newly granted status of "Specialized, Refined and Innovative Small or Medium-Sized Enterprise of Jiangsu Province" to obtain more preferential and supportive policies from the government in our future development.

- We will keep track of the construction of new refinery units in the PRC and overseas, so as to seize the firsthand business opportunities. We will continue to strengthen our efforts in customer diversification and cooperate with more international and domestic traders in more markets for a wider range of products. We will continue strengthening the cooperation with famous multinational chemical companies in order to sell more of their products in the PRC as a distributor and also sell our own products abroad through the collaboration with them.

- We will continuously follow the development trend of "Producing less fuel oil and more chemicals and specialties" of the oil refining industry and observe and assess its impact on the Group's business. While continuing the development of new products in refining agents and fuel additives according to customers' needs, in line with the development trend of the oil refining industry, we will research and development agents and additives required by refineries for the production of high-end fine chemicals and new chemical materials, and will begin to study the possibility of developing chemical business in non-oil-refining industries.

- We will deeply promote and practice the corporate culture of "To lay priority on safety, waste not and keep building a green enterprise". On the basis of the newly-granted title of "Green Factory", we will continue to develop advanced and applicable clean production technologies and explore the path of green, low-carbon and intelligent development, so as to ensure the long-term sustainable development of the Group.

Financial Overview

Revenue

Our revenue decreased by 27.7% from RMB257.2 million for the year ended 31 December 2022 to RMB186.1 million for the year ended 31 December 2023. The following table sets forth our revenue by products for the years indicated:

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Oil refining agents	**111,571**	151,085
Fuel additives	**74,500**	106,098
Total revenue	**186,071**	257,183

Revenue derived from oil refining agents decreased from RMB151.1 million for the year ended 31 December 2022 to RMB111.6 million for the year ended 31 December 2023, which was mainly due to the decreased number of newly commissioned refining units in the PRC in 2023, as a result, the total amount of oil refining agents required for the first-time loading decreased accordingly, leading to the decrease in the sales volume of our oil refining agents in the PRC, meanwhile, the outbreak of the civil war in Sudan in 2023 suspended the production of our Sudan customers, which has significantly affected the export sales of our oil refining agents. Revenue derived from fuel additives decreased from RMB106.1 million for the year ended 31 December 2022 to RMB74.5 million for the year ended 31 December 2023, which was mainly due to that the supply of fuel additives to one of our major customers for a big order was completed in 2022 and we did not receive a similar-size big order in 2023, consequently, resulted in a decrease in the total sales volume of our fuel additives.

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

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Mainland China	**185,959**	237,562
Sudan	**–**	17,967
Other countries and regions	**112**	1,654
Total revenue	**186,071**	257,183

Our revenue derived from the PRC market decreased from RMB237.6 million for the year ended 31 December 2022 to RMB186.0 million for the year ended 31 December 2023, which was mainly due to the decreased number of newly commissioned refining units in the PRC in 2023, as a result, the total amount of oil refining agents required for the first-time loading decreased accordingly, leading to the decrease in the sales volume of our oil refining agents in the PRC. Besides, the supply of fuel additives to one of our major customers for a big order was completed in 2022 and we did not receive a similar-size big order in 2023, consequently, there was a decrease in the total sales volume of our fuel additives. Revenue derived from the overseas market decreased from RMB19.6 million for the year ended 31 December 2022 to RMB0.1 million for the year ended 31 December 2023, which was mainly due to the outbreak of the civil war in Sudan in 2023 leading to the suspension of production of our Sudan customers, which has significantly affected our export sales.

Cost of sales

Our cost of sales decreased from RMB203.3 million for the year ended 31 December 2022 to RMB137.4 million for the year ended 31 December 2023. The following table sets forth our cost of sales by products for the years indicated:

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Oil refining agents	**83,621**	116,374
Fuel additives	**53,754**	86,930
Total cost of sales	**137,375**	203,304

The cost of sales of oil refining agents decreased from RMB116.4 million for the year ended 31 December 2022 to RMB83.6 million for year ended 31 December 2023, which was mainly due to less oil refining agents sold in 2023. The cost of sales of fuel additives decreased from RMB86.9 million for the year ended 31 December 2022 to RMB53.8 million for the year ended 31 December 2023, which was mainly due to less fuel additives sold in 2023.

Profit from operations

Our profit from operations decreased from RMB26.2 million for the year ended 31 December 2022 to RMB25.2 million for the year ended 31 December 2023, which was mainly due to the decrease in our products sold. The following table sets forth the profit from operations for the years indicated:

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Gross profit	**48,696**	53,879
Other income	**9,312**	4,411
Sales and marketing expenses	**(9,187)**	(11,760)
General and administrative expenses	**(13,718)**	(11,793)
Research and development expenses	**(8,545)**	(8,915)
Impairment loss on trade receivables	**(1,353)**	383
Profit from operations	**25,205**	26,205

Gross profit

For the years ended 31 December 2022 and 2023, our gross profit amounted to RMB53.9 million and RMB48.7 million, respectively. Our gross profit margin was 20.9% and 26.2%, 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	
	2023	2022
	RMB'000	*RMB'000*
Oil refining agents	**27,950**	34,711
Fuel additives	**20,746**	19,168
Total gross profit	**48,696**	53,879

Our gross profit for oil refining agents decreased by 19.5% from RMB34.7 million for the year ended 31 December 2022 to RMB28.0 million for the year ended 31 December 2023, which was mainly due to the decrease of the total sales volume of our oil refining agents. Our gross profit margin of oil refining agents has increased from 23.0% to 25.1% for the same periods, which was mainly due to the decline of the prices of some of our raw materials for oil refining agents in 2023.

Our gross profit for fuel additives increased by 8.2% from RMB19.2 million for the year ended 31 December 2022 to RMB20.7 million for the year ended 31 December 2023, which was mainly due to the decline of the prices of some of our major raw materials for our fuel additives in 2023, and due to the same reason, our gross profit margin of fuel additives has increased from 18.1% to 27.8% for the same periods.

Other income

Our other income increased from RMB4.4 million for the year ended 31 December 2022 to RMB9.3 million for the year ended 31 December 2023, which was mainly due to the increase in interest income on financial assets and more government grants received.

Sales and marketing expenses

Our sales and marketing expenses decreased from RMB11.8 million for the year ended 31 December 2022 to RMB9.2 million for the year ended 31 December 2023, which was mainly due to the decrease in freight cost and successful tender service fees.

General and administrative expenses

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

Our general and administrative expenses increased from RMB11.8 million for the year ended 31 December 2022 to RMB13.7 million for the year ended 31 December 2023, which was mainly due to the increase of travel and business entertainment expenses, consulting service charges and afforestation expenses.

Research and development expenses

Our research and development expenses decreased slightly from RMB8.9 million for the year ended 31 December 2022 to RMB8.5 million for the year ended 31 December 2023. Such expenses consisted primarily of the labor and welfare cost, raw material costs and depreciation of machinery, equipment and analytical instruments.

Income tax expense

Our income tax expense for the years ended 31 December 2022 and 2023 was RMB14.7 million and RMB4.1 million, respectively. The decrease in income tax expense was mainly due to less deferred tax recognised by the Group for the year 2023 in respect of the withholding tax for the Company's subsidiary located in PRC to distribute its accumulated earnings to the Company's subsidiary located in Hong Kong SAR. For the years ended 31 December 2022 and 2023, our effective tax rates for the same periods were 56.3% and 16.2%, respectively.

Profit for the year

As a result of the foregoing, our profit increased by 84.3% from RMB11.5 million for the year ended 31 December 2022 to RMB21.1 million for the year ended 31 December 2023, which was mainly due to the decrease of the income tax expense.

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 of the Company ("**Shares**") became listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 March 2018 with net proceeds from the Share offer ("**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 and expected cash flows from operations, will be sufficient to satisfy our current requirements and able to fulfill our business obligations.

Selected Items of the Consolidated Statements of Financial Position

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

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current assets		
Inventories	**37,099**	33,544
Trade and other receivables	**82,907**	119,457
Prepayments	**1,539**	6,454
Cash and cash equivalents	**95,204**	146,484
Total current assets	**216,749**	305,939
Current liabilities		
Trade and other payables	**24,469**	28,172
Contract liabilities	**2,210**	–
Income tax payable	**4,327**	5,460
Total current liabilities	**31,006**	33,632
Net current assets	**185,743**	272,307

Our current assets decreased from RMB305.9 million as of 31 December 2022 to RMB216.7 million as of 31 December 2023, which was mainly due to the decrease in cash and cash equivalents and trade and other receivables. Our current liabilities decreased from RMB33.6 million as of 31 December 2022 to RMB31.0 million as of 31 December 2023, which was mainly due to the decrease in trade and other payables.

Trade and other receivables

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

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables, net of loss allowance	**62,313**	107,521
Bills receivables	**18,052**	9,230
Other receivables	**2,542**	2,706
Financial assets measured at amortised cost	**82,907**	119,457
Trade and other receivables, net	**82,907**	119,457

Our net trade and other receivables decreased from RMB119.5 million as of 31 December 2022 to RMB82.9 million as of 31 December 2023, which was mainly due to the decrease in trade receivables. All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

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

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**50,317**	97,705
After 3 months but within 6 months	**8,179**	8,961
After 6 months but within 1 year	**663**	855
After 1 year but within 2 years	**3,154**	–
Trade receivables, net of loss allowance	**62,313**	107,521

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 based on their scale and financial strength.

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	
	2023	2022
	RMB'000	*RMB'000*
Trade payables	**10,186**	11,415
Other payables and accruals	**14,283**	16,757
Total trade and other payables	**24,469**	28,172

Our trade and other payables decreased from RMB28.2 million as of 31 December 2022 to RMB24.5 million as of 31 December 2023, which was mainly due to the decrease in other payables and accruals. 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	
	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**9,729**	10,656
Over 3 months but within 6 months	**304**	703
Over 6 months but within 1 year	**145**	56
Over 1 year	**8**	–
Total trade payables	**10,186**	11,415

Gearing Ratio

Our gearing ratio which is calculated by total borrowings divided by total assets was both nil as of 31 December 2022 and 31 December 2023 as the Group did not have any borrowings.

Contingent liabilities, guarantees and litigation

As of 31 December 2023 and 2022, we had no contingent liabilities, guarantees or litigation.

Capital Expenditures and Commitment

For the year ended 31 December 2023, 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	
	2023	2022
	RMB'000	*RMB'000*
Purchase of property, plant and equipment	**7,302**	3,424
Total capital expenditures	**7,302**	3,424

The Group did not have any capital commitments (2022: Nil) outstanding at 31 December 2023 not provided in the financial statements.

Off-balance Sheet Arrangements

As of 31 December 2023, the Group did not have any off-balance sheet arrangements.

Foreign Currency Exposure

The assets, liabilities and transactions of the Group are primarily denominated in Renminbi, Hong Kong dollars, Euros and United States dollars, and therefore exposed to exchange rate fluctuations. During the Reporting Period, the Group did not experience any material negative impacts on its operations due to the fluctuations in currency exchange rates. The Group performs regular reviews on its foreign exchange exposures, and will mitigate the impact of exchange rate fluctuations by entering into currency hedge arrangement when necessary. Our Group did not use any derivative financial instruments to hedge the risk of exchange rate changes for the year ended 31 December 2023.

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	
	2023	2022
Return on equity(1)	**8.0%**	3.9%
Return on assets(2)	**7.0%**	3.5%
Current ratio(3)	**7.0**	9.1
Quick ratio(4)	**5.8**	8.1
Gross profit margin	**26.2%**	20.9%
Net profit margin	**11.4%**	4.5%

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 increased from 3.9% as of 31 December 2022 to 8.0% as of 31 December 2023 primarily because of the increase of our profit for the year and the decrease of the average equity.

Return on assets

Our return on assets reflecting our profitability increased from 3.5% as of 31 December 2022 to 7.0% as of 31 December 2023 primarily because of the increase of our profit for the year and the decrease of our average assets.

Current ratio

Our current ratio decreased from 9.1 as of 31 December 2022 to 7.0 as of 31 December 2023 primarily because of the decrease in our current assets. It reflected our ability to pay our obligations which are due within one year.

Quick ratio

Our quick ratio reflecting our liquidity decreased from 8.1 as of 31 December 2022 to 5.8 as of 31 December 2023 primarily because of the decrease in our current assets.

MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2023, the Group did not have any 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 investments, acquisitions and disposals in the short term.

USE OF PROCEEDS FROM THE SHARE OFFER

The Shares were listed on the main board of the Stock Exchange on the Listing Date with net proceeds received by the Company from the Listing of approximately HK$110.7 million (after deducting underwriting commissions and other estimated expenses in connection with the Listing). The net proceeds received from the Listing will be used in a manner consistent with that disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 19 March 2018. Taking into account the instability in the business from Sudan due to frequent civil wars and chaos, the potential impact on the demands for our existing products due to the development of electric vehicles and the "Less oil and more chemicals" trend of the domestic oil refining industry as well as the international political unrest in recent years, which have affected or will probably affect our operating results, we slowed down the progress of our original plan on the use of the proceeds from Listing, in order to ensure that the intended results from the use of the proceeds can be achieved. Up to the date of this announcement, we have only completed part of the investment in the projects for upgrading our Yixing plant and building production facilities for the manufacturing of an important raw material, high-purity oleic acid, which have been put into commercial production and achieved certain effects. We will follow closely with the international political and economic situation, and study and assess our industry, market and business development trend, and will continue to invest the proceeds in the following projects at the right time, so as to finally reach the desired production capacity.

Since the Listing Date and up to 31 December 2023, the utilization of the net proceeds and the remaining balance (approximately HK$52.5 million) are set out below:

Purposes	**Allocation (on a pro-rata basis)**	**Amount utilized as of 31 December 2023**	**The remaining balance as of 31 December 2023**
To upgrade our Yixing Plant by purchasing new sets of machinery, equipment and analytical instruments	Approximately HK$42.8 million (approximately 39%)	Approximately HK$18.6 million	Approximately HK$24.2 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$25.6 million	Approximately HK$28.3 million
General business operations and working capital	Approximately HK$8.8 million (approximately 8%)	Approximately HK$8.8 million	–
To repay bank borrowings	Approximately HK$5.2 million (approximately 4%)	Approximately HK$5.2 million	–
Total	**Approximately HK$110.7 million (100%)**	**Approximately HK$58.2 million**	**Approximately HK$52.5 million**

* *The remaining balance of the net proceeds is expected to be used up in 24 months from 31 December 2023.*

SHARE OPTION SCHEME

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

2018 and will expire on 10 March 2028. Further details of the Share Option Scheme are set out in the section headed "Statutory and General Information – Share Option Scheme" in Appendix V to the prospectus of the Company dated 19 March 2018.

No share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption. As of 31 December 2023, the Company has no outstanding share option under the Share Option Scheme.

EMPLOYMENT AND EMOLUMENTS

As of 31 December 2023, our Group had 58 (2022: 59) employees. All of our employees are based in the PRC. Our employees' remuneration has been paid in accordance with relevant laws and regulations in the PRC. Appropriate salaries and bonuses were paid with reference to the actual practices of the Company. Other corresponding benefits included pension scheme, unemployment insurance and housing allowance, etc.

CORPORATE GOVERNANCE

Our Group is committed to maintaining high standards of corporate governance to protect the interest of our shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") as its own code of corporate governance. During the Reporting Period, the Company has complied with the CG Code except for the following deviation from provision C.2.1 of the CG Code which is explained below:

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") as its rules governing dealings by the Directors in the listed securities of the Company. During the Reporting Period, having made specific enquiry to each Director, all Directors have confirmed that they have fully complied with the required standards set out in the Model Code.

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

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

The Board proposed a final dividend of HK$0.02 per Share for the year ended 31 December 2023 (for the year ended 31 December 2022: HK$0.01 per share).

Save as mentioned above and disclosed in note 11 to the consolidated financial statements of this Annual Results, there are no significant subsequent events after the Reporting Period and up to the date of this announcement.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.02 per Share for the year ended 31 December 2023 (for the year ended 31 December 2022: HK$0.01 per share) to shareholders whose names appear on the Company's register of members on Tuesday, 4 June 2024 (the "**Proposed Final Dividend**"). Subject to the approval of the shareholders at the Company's forthcoming annual general meeting to be held on Thursday, 23 May 2024 (the "**AGM**"), the Proposed Final Dividend is expected to be paid on or around Wednesday, 19 June 2024.

AGM

The AGM will be held at the Company's headquarters and principal place of business in the PRC at No. 16 West Kaixuan Road, Economic Development Zone, Yixing, Jiangsu, the PRC on Thursday, 23 May 2024. Notice of the AGM will be published in due course as required under the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain shareholder's entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 20 May 2024 to Thursday, 23 May 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 17 May 2024.

For the purpose of determining the entitlement to the Proposed Final Dividend, the register of members of the Company will be closed from Thursday, 30 May 2024 to Tuesday, 4 June 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be entitled to the Proposed Final Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 29 May 2024.

AUDIT COMMITTEE AND REVIEW OF THE ANNUAL RESULTS

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

The financial figures in respect of our Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary result announcement have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in our Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditors.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The Annual Results announcement is published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jscxsh.cn). The annual report for the year ended 31 December 2023 will be available on the same websites and dispatched to the Company's shareholders who request the printed copy in April 2024 as required under the Listing Rules.

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

Hong Kong, 26 March 2024

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

* *For identification purpose only*