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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2116)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the "**Board**") of directors (the "**Directors**") of Jiangsu Innovative Ecological New Materials Limited (the "**Company**") is pleased to announce the unaudited interim results (the "**Interim Results**") of the Company and its subsidiaries (the "**Group**", "**we**", "**us**" or "**our**") for the six months ended 30 June 2022 (the "**Reporting Period**"), together with comparative figures for the corresponding period in 2021. The Board and the audit committee of the Company (the "**Audit Committee**") have reviewed and confirmed the Interim Results.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the six months ended 30 June 2022 – unaudited
(Expressed in Renminbi Yuan)

		Six months ended 30 June	
		2022	2021
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**112,447**	84,427
Cost of sales		**(90,190)**	(63,269)
Gross profit		**22,257**	21,158
Other income		**2,187**	1,808
Sales and marketing expenses		**(5,411)**	(4,659)
General and administrative expenses		**(4,455)**	(5,274)
Research and development expenses	*4*	**(4,959)**	(3,818)
Profit before taxation	*4*	**9,619**	9,215
Income tax	*5*	**(1,029)**	(1,147)
Profit for the period		**8,590**	8,068
Earnings per share	*6*		
Basic and diluted *(RMB cents)*		**1.79**	1.68

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2022 – unaudited

(Expressed in Renminbi Yuan)

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Profit for the period	**8,590**	8,068
Other comprehensive income for the period (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	**4,051**	(1,109)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside mainland China	**(2,372)**	599
Other comprehensive income for the period	**1,679**	(510)
Total comprehensive income for the period	**10,269**	7,558

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2022 – unaudited
(Expressed in Renminbi Yuan)

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment	7	**40,573**	40,065
Right-of-use assets		**3,054**	3,104
Deferred tax assets		**461**	543
		44,088	43,712
Current assets			
Inventories		**55,702**	36,269
Trade and other receivables	8	**84,901**	78,372
Prepayments		**431**	4,932
Cash and cash equivalents		**144,261**	152,059
		285,295	271,632
Current liabilities			
Trade and other payables	9	**27,384**	20,588
Contract liabilities		**201**	–
Income tax payable		**3,860**	3,089
		31,445	23,677
Net current assets		**253,850**	247,955
Total assets less current liabilities		**297,938**	291,667
Non-current liabilities			
Deferred tax liabilities		**2,051**	2,157
		2,051	2,157
NET ASSETS		**295,887**	289,492
CAPITAL AND RESERVES			
Share capital		**3,873**	3,873
Reserves		**292,014**	285,619
TOTAL EQUITY		**295,887**	289,492

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

1 BASIS OF PRESENTATION

Jiangsu Innovative Ecological New Materials Limited (the "**Company**") was incorporated in the Cayman Islands on 6 July 2017 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company'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.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorized for issue on 26 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendment to HKAS 16, Property, plant and equipment: Proceeds before intended use
- Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract

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

3 REVENUE

(a) Disaggregation of revenue

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

Revenue from contracts with customers within the scope of HKFRS 15

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Sales of oil refining agents	**52,656**	52,357
Sales of fuel additives	**59,791**	32,070
Total	**112,447**	84,427

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

(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, and the location of the operation to which they are allocated, in the case of right-of-use assets. During the period ended 30 June 2022, substantially all specified non-current assets were physically located in the People's Republic of China ("**PRC**").

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Mainland China	**108,164**	80,066
Sudan	**4,283**	4,361
Total	**112,447**	84,427

(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 most senior executive management 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 PROFIT BEFORE TAXATION

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

Other items

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Depreciation of right-of-use assets	**50**	50
Depreciation of property, plant and equipment	**2,587**	2,308
Research and development expenses (other than depreciation)	**4,365**	3,213
Impairment losses of trade receivables (reversed)/recognised	**(354)**	10
Inventories write-down	**187**	27

5 INCOME TAX

Income tax in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Current tax:		
Provision for current income tax for the period	**1,094**	1,296
Over-provision in respect of prior years	**(23)**	(20)
	1,071	1,276
Deferred tax:		
Origination and reversal of temporary differences	**(42)**	(129)
	1,029	1,147

(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.

(ii) 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.

(iii) 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 2 December 2020 with an effective period of three years from 2020 to 2022, and therefore it was entitled to the preferential income tax rate of 15%.

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

6 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholder of the Company for the six months ended 30 June 2022 of RMB8,590,000 (six months ended 30 June 2021: RMB8,068,000) and 480,000,000 ordinary shares (six months ended 30 June 2021: 480,000,000 ordinary shares) in issue during the period.

There were no dilutive potential ordinary shares for the six months ended 30 June 2022 and 2021, therefore, diluted earnings per share are equivalent to basic earnings per share.

7 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2022, acquisitions of property, plant and equipment amounted to RMB3,101,000 (six months ended 30 June 2021: RMB13,000). Items of property, plant and equipment with a net book value of RMB6,000 were disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: Nil), resulting in a loss on disposal of RMB3,000 (six months ended 30 June 2021: Nil).

8 TRADE AND OTHER RECEIVABLES

As at the end of the 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:

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Within 3 months	**55,259**	50,106
After 3 months but within 6 months	**10,152**	3,090
After 6 months but within 1 year	**2,283**	7,437
After 1 year but within 2 years	**773**	1,032
Trade receivables, net of loss allowance	**68,467**	61,665
Bills receivable *(note (a))*	**12,582**	10,746
Other receivables	**3,852**	5,961
Financial assets measured at amortised cost	**84,901**	78,372
Trade and other receivables, net	**84,901**	78,372

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

(a) Bills receivable

Bills receivable represents 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 receivable to suppliers as part of the treasury management.

During the six months ended 30 June 2022, 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 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 30 June 2022, 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 RMB1,655,200 (31 December 2021: RMB1,618,500).

9 TRADE AND OTHER PAYABLES

As of the end of the Reporting Period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Within 3 months	**15,284**	9,103
After 3 months but within 6 months	**189**	120
After 6 months but within 1 year	**29**	–
Total trade payables	**15,502**	9,223
Other payables and accruals	**11,882**	11,365
Trade and other payables	**27,384**	20,588

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

10 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the interim period

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2022 *RMB'000*	2021 *RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK$0.01 per ordinary share (six months ended 30 June 2021: HK$0.01 per ordinary share)	**3,874**	4,026

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 annual volume of crude oil processed in the People's Republic of China (the "**PRC**") has exceeded 700 million tons mark for the first time in the year of 2021, representing an increase of approximately 4.3% over the year of 2020 and 7.4% over the year of 2019. Oil-refining enterprises in the PRC are enlarging their scale and raising their processing capacity. In recent years, in addition to some ultra-large non-state-owned refineries being put into operation, during the PRC's 14th Five-Year Plan (2021-2025), more large-scale refining-chemical integrated projects will be completed in the PRC and put into operation. According to a forecast, the PRC's oil-refining capacity is likely to reach 980 million tons by the end of year 2025, by which time PRC may become the world's largest oil refining country.

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

However, since mid-March 2022, due to the rebound of the COVID-19 Pandemic (the "**Pandemic**") in the PRC, the overall travels of the people has decreased, resulting in a decline in domestic demands for various types of fuel oils in the PRC, so the total volume of crude oil processed in the PRC in the first half year of 2022 decreased slightly compared to the same period of last year.

Since June 2022, as the impact of the pandemic turns weaker, demands gradually grow. In particular, during the traditional peak consumption season from September to October when people travel more frequently by car, gasoline consumption will increase. In addition, the rigid demands from logistics and transportation, mining and infrastructure, etc. will prop up the market for oil refining products. Moreover, newly-built large-scale oil-processing units of Shenghong Petrochemical Group Co., Ltd.*（盛虹石化集團有限公司）and CNPC Guangdong Company*（中石油廣東石化）will soon be put into full-scale operation, which will drive the growth of domestic crude oil processing volume in the second half of this year. The domestic crude oil processing volume is expected to increase significantly in the second half year of 2022 compared to the first half of the year, while the PRC's total crude oil processing volume in 2022 will increase further from the 2021 level.

At the same time, we also note that due to the potential impact of the development of new-energy vehicles on future fuel oil consumption, in recent years many oil refineries are strengthening their efforts on "Less oils and more chemicals". In their future oil processing operation, they will likely reduce the production of fuel oils and increase the production of chemical materials, therefore, it is necessary for the Group to make more efforts in product diversification and new product research and development.

Business Overview

Considering the declined gross profit margin of our product sold in recent years due to the increase in raw material prices, we have focused on strengthening our sales force since last year in an effort to sell more products to offset the low profit margin. During the Reporting Period, our sales efforts have yielded significant results. We achieved outstanding results from participating in the procurement tenders of our long-term customers, including China Petrochemical Corporation*（中國石油化工集團公司）(“**Sinopec**”), China National Petroleum Corporation*（中國石油天然氣集團公司）(“**CNPC**”), China National Offshore Oil Corporation*（中國海洋石油集團有限公司）(“**CNOOC**”) and several non-state-owned ultra-large refining & chemical enterprises. Meanwhile, our continuous efforts in customer diversification have also yielded more results.

As a result of the above-said factors, we recorded a total revenue of RMB112.4 million for the six months ended 30 June 2022, representing an increase of approximately 33% compared to the total revenue of RMB84.4 million for the six months ended 30 June 2021. However, the growth in sales was mainly in fuel additives with lower gross profit margin, and higher-cost raw materials were consumed in the production of fuel additives in the first half year of 2022, as a result, our profit margin declined. For the six months ended 30 June 2022, we recorded a total net profit of RMB8.6 million, representing an increase of approximately 6.5% compared to the total net profit of RMB8.1 million for the six months ended 30 June 2021.

Our gross profit margins on product sales are expected to lift in the second half year of 2022 as some raw materials’ prices are gradually dropping and new cross-year contracts with higher prices are executed in succession.

In the six months ended 30 June 2022, thanks to the Group’s continuous efforts in research and development, we successfully obtained 5 more utility model patent rights. Our own laboratory has also taken a crucial step forward. After more than one year of work in upgrading hardware and software and optimizing management, our laboratory passed the comprehensive audit by the China National Accreditation Service for Conformity Assessment (CNAS) and has been awarded the CNAS certificate. Hence, our laboratory and its testing results will be nationally and internationally recognized, which will greatly enhance our customers’ trust in our product testing ability and quality assurance, add to our advantage in participating in customers’ procurement tenders, and help us gain more customers and cooperation partners.

Compliance with Key Regulatory Requirements

The following table summarizes the key statutory requirements and our compliance status for the six months ended 30 June 2022:

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 ("**HSE**") performance, our Group has cut the quantity of hazardous chemicals used and is no longer required to obtain the said license following the evaluation by a professional organization and the registration with the related government authority in 2020. For the six months ended 30 June 2022, 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 has complied with such requirement for the six months ended 30 June 2022.
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 has complied with such requirement for the six months ended 30 June 2022.

Future Plan and Prospects

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

- We will continue to optimize our procurement management. We will closely follow up with, study and judge the trend of raw material prices, and dynamically adjust our inventory of raw and auxiliary materials as per the changing level of their prices. At the same time, we will strengthen our cost control on production and management and take various effective measures to save energy and reduce consumption in order to mitigate the adverse impact of the risen raw material prices on our profit margin.

- We will continue to strengthen our sales force, opening up more sales channels and making more efforts on customer diversification. To this end, we have set up dedicated staff to search on a daily basis for tenders related to our products. We will take full advantage of our newly obtained CNAS laboratory certification to actively participate in more potential customers' procurement tenders. At present and in the long term, we will cooperate with more international and domestic traders in a wider range of products in order to gain more long-term customers. At the same time, we will strengthen the cooperation with famous multinational chemical companies in order to sell more of their products in the PRC as a distributor and also sell our own products abroad through their help.

- In view of the development trend of "Refining-chemical integration" and "Less oils and more chemicals" in the oil refining industry, we will make full use of our research and development strength to step up our efforts in product diversification, expand our product range, add to product functions and obtain more patent rights.

- As a chemical manufacturer, we will always regard safety and environment protection as the lifeline of the Group and the top priority of our work relating to Environmental, Social and Governance. In the first half year of 2022, the Group engaged professional companies for the installation of a number of online monitoring systems for environmental protection. We will continue to constantly upgrade our safety and environmental protection facilities, improve our safety and environmental protection management, revise and improve our emergency rescue plans, expand the scope of our emergency drills and trainings, and perfect the system for the investigation and control of hidden risk of accidents, so as to ensure zero accident in terms of safety and environment protection all the time.

Financial Overview

Revenue

Our revenue has increased by 33.2% from RMB84.4 million for the six months ended 30 June 2021 to RMB112.4 million for the six months ended 30 June 2022. The following table sets forth our revenue by products for the periods indicated:

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Oil refining agents	**52,656**	52,357
Fuel additives	**59,791**	32,070
Total revenue	**112,447**	84,427

The revenue derived from oil refining agents has increased from RMB52.4 million for the six months ended 30 June 2021 to RMB52.7 million for the six months ended 30 June 2022, with no significant change. The revenue derived from fuel additives has increased from RMB32.1 million for the six months ended 30 June 2021 to RMB59.8 million for the six months ended 30 June 2022, which was mainly due to the fact that our enhanced sales efforts achieved outstanding results in the first half year of 2022 in the sale of our fuel additives.

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
PRC	**108,164**	80,066
Overseas	**4,283**	4,361
Total revenue	**112,447**	84,427

The revenue derived from the PRC market has increased from RMB80.1 million for the six months ended 30 June 2021 to RMB108.2 million for the six months ended 30 June 2022, which was mainly due to the fact that our enhanced sales efforts achieved outstanding results in the first half year of 2022, resulting in big increase of sales on the PRC market. The revenue derived from the overseas market decreased from RMB4.4 million for the six months ended 30 June 2021 to RMB4.3 million for the six months ended 30 June 2022, with no significant change.

Cost of sales

Our cost of sales has increased from RMB63.3 million for the six months ended 30 June 2021 to RMB90.2 million for the six months ended 30 June 2022. The following table sets forth our cost of sales by products for the periods indicated:

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Oil refining agents	**38,600**	38,958
Fuel additives	**51,590**	24,311
Total cost of sales	**90,190**	63,269

The cost of sales of oil refining agents has decreased from RMB39.0 million for the six months ended 30 June 2021 to RMB38.6 million for the six months ended 30 June 2022, with no significant change. The cost of sales of fuel additives has increased from RMB24.3 million for the six months ended 30 June 2021 to RMB51.6 million for the six months ended 30 June 2022, which was mainly due to the increase of the sales volume for our fuel additives and the rise of the purchase prices of the major raw materials for our fuel additives.

Gross profit

For the six months ended 30 June 2021 and 2022, our gross profit amounted to RMB21.2 million and RMB22.3 million, respectively. Our gross profit margin was 25.1% and 19.8%, respectively, for the same periods. The table below sets forth our gross profit by products for the periods indicated:

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Oil refining agents	**14,056**	13,399
Fuel additives	**8,201**	7,759
Total gross profit	**22,257**	21,158

Our gross profit of oil refining agents has increased from RMB13.4 million for the six months ended 30 June 2021 to RMB14.1 million for the six months ended 30 June 2022, which was mainly due to a slight increase in the total revenue and a slight decrease in the total cost of sales for our oil refining agents. Our gross profit margin of oil refining agents has increased from 25.6% to 26.7% for the same periods, with no significant change. Our gross profit of fuel additives has increased from RMB7.8 million for the six months ended 30 June 2021 to RMB8.2 million for the six months ended 30 June 2022, which was mainly due to the increase of the total sales volume from our fuel additives. Our gross profit margin of fuel additives has decreased from 24.2% to 13.7% for the same periods, which was mainly due to the fact that higher-cost raw materials were consumed in the production of fuel additives sold in the first half year of 2022.

Other income

Our other income has increased from RMB1.8 million for the six months ended 30 June 2021 to RMB2.2 million for the six months ended 30 June 2022, which was mainly due to the increase in the gains on foreign exchange.

Income tax expense

Our income tax expense for the six months ended 30 June 2021 and 2022 was RMB1.1 million and RMB1.0 million, respectively, with no significant change.

For the six months ended 30 June 2021 and 2022, our effective tax rate for the same periods were 12.4% and 10.7%, respectively.

Profit for the period

As a result of the foregoing, our profit has increased by 6.5% from RMB8.1 million for the six months ended 30 June 2021 to RMB8.6 million for the six months ended 30 June 2022, which was mainly due to the increase of the total gross profit.

Liquidity, Financial Resources and Capital structure

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

The Company's shares (the "**Shares**") became listed on the main board of the Stock Exchange on 28 March 2018 (the "**Listing Date**") with net proceeds from the Listing of approximately HK$110.7 million (after deducting underwriting commissions and other estimated expenses in connection with the Listing).

We financed our operations primarily by existing cash and cash equivalents, net proceeds from the Listing and cash flows from operations. Taking into account the financial resources that are available to us, our Directors believe that our current cash and cash equivalents, together with the 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 statement of financial position

Cash and cash equivalents

Cash and cash equivalents primarily consist of our cash at banks and on hand. We had cash and cash equivalents of RMB152.1 million as of 31 December 2021 and RMB144.3 million as of 30 June 2022, representing a decrease of 5.1%.

Trade and other receivables

Our trade receivables primarily represent the credit sales of our products to be paid by our customers. Our bills receivable represents short-term bank and commercial acceptance notes receivables 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.

Our total trade and other receivables increased from RMB78.4 million as of 31 December 2021 to RMB84.9 million as of 30 June 2022, which was mainly due to the increase of the total sales.

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.

Our trade and other payables increased from RMB20.6 million as of 31 December 2021 to RMB27.4 million as of 30 June 2022, which was mainly due to the increase of the trade payables for raw materials. All trade payables are expected to be settled within one year.

Gearing Ratio

Our gearing ratio which is calculated by total borrowings divided by total assets was both nil as of 31 December 2021 and 30 June 2022.

Contingent liabilities, guarantees and litigation

As of 30 June 2022, the Group had no contingent liabilities, guarantees and litigation against us.

Capital expenditures

For the six months ended 30 June 2022, our capital expenditures were spent on motor vehicles. The following table sets forth our capital expenditures for the periods indicated:

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Purchase of property, plant and equipment	**3,101**	13
Total capital expenditures	**3,101**	13

Related party transactions

During the Reporting Period, the Group did not have any related party transactions.

Connected transactions

During the Reporting Period, the Group did not have any connected transactions.

Off-balance sheet arrangements

During the Reporting Period, the Group did not have any off-balance sheet arrangements.

Material investments, acquisitions and disposals

During the Reporting Period, the Group did not have any material investments, acquisitions and disposals.

USE OF PROCEEDS FROM THE LISTING

The Shares were listed on the main board of the Stock Exchange on the Listing Date with net proceeds received by the Company from the Listing of approximately HK$110.7 million (after deducting underwriting commissions and other estimated expenses in connection with the Listing). The net proceeds received from the Listing will be used in a manner consistent with that disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 19 March 2018. Taking into account the decline in the business from Sudan and the impact on the economy situation by the COVID-19 Pandemic, the soaring raw materials' prices and ocean freight rate since the end of 2020 due to the global inflation as well as the recent international political unrest, which have affected or will probably affect our operating results, we slowed down the progress of our original plan on the use of the proceeds from Listing, in order to ensure that the intended results from the use of the proceeds can be achieved. Up to the date of this announcement, we have only completed a part of the investment in the projects for upgrading our Yixing plant and building production facilities for the manufacturing of an important raw material, high-purity oleic acid, which have been put into commercial production. We will follow up closely with the international political and economic situation and study the market development trend, and will continue to invest the proceeds in the following projects at the right time, so as to finally reach the desired production capacity.

Since the Listing Date and up to 30 June 2022, the utilization of the net proceeds and remaining balance (approximately HK$55.6 million) are set out below:

Purposes	**Allocation on a pro-rata basis**	**Amount utilized as of 30 June 2022**	**The remaining balance as of 30 June 2022**
To upgrade our Yixing plant by purchasing new sets of machinery, equipment and analytical instruments	Approximately HK$42.8 million (approximately 39%)	Approximately HK$15.5 million	Approximately HK$27.3 million
To build production facilities for the manufacturing of a 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 (approximately 100%)	Approximately HK$55.1 million	Approximately HK$55.6 million

* *The remaining balance of the net proceeds is expected to be used up in 24 months from 30 June 2022.*

EMPLOYMENT AND EMOLUMENTS

As of 30 June 2022, our Group had 58 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 include pension scheme, unemployment insurance and housing allowance, etc.

CORPORATE GOVERNANCE

Our Group is committed to maintaining high standards of corporate governance to protect the interest of our shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**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 10 to the Listing Rules (the "**Model Code**") as its rules governing dealings by the Directors in the listed securities of the Company. During the Reporting Period, having made specific enquiry to each Director, all Directors have confirmed that they have fully complied with the required standards set out in the Model Code.

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

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

IMPACT OF THE COVID-19 PANDEMIC

Up to the date of this announcement, the Pandemic is still not deracinated. There might be rebounds of the Pandemic from time to time, which might cause the reduction of travels and consumption of the people in some local parts of the PRC for a period of time. We believe that the impact of the Pandemic rebounds in the future will not last as long as it did in the past years. We are monitoring closely the development of the Pandemic situations and taking appropriate measures to minimize its impact to our business.

EVENTS AFTER THE REPORTING PERIOD

There are no significant subsequent events after the Reporting Period.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2022.

AUDIT COMMITTEE

The Audit Committee has reviewed and discussed with the management of the Company in relation to the accounting principles and practices adopted by the Company, the internal controls and financial report matters, and the Company's policies and practices on corporate governance. The Interim Results has been reviewed by the Audit Committee. The Company's external auditors, KPMG, have carried out a review of the interim financial information for the six months ended 30 June 2022 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The Interim Results announcement of the Company is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jscxsh.cn). The interim report of the Company for the six months ended 30 June 2022 will be dispatched to shareholders of the Company and available on the same websites by the end of September 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 August 2022

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

* *For identification purpose only*