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

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 2116

**INTERIM REPORT 2022**

# CONTENTS

DEFINITIONS	2
CORPORATE INFORMATION	4
MANAGEMENT DISCUSSION AND ANALYSIS	6
OTHER INFORMATION	17
INDEPENDENT REVIEW REPORT	21
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	22
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	23
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	24
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	26
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	28
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT	29

## DEFINITIONS

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

“Board” or “Board of Directors”	the board of directors of the Company
“China”, “Mainland China” or “PRC”	the People’s Republic of China, but for the purpose of this interim report and for geographical reference only and except where the context requires, references in this interim report to “China” and “PRC” do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
“Company”	Jiangsu Innovative Ecological New Materials Limited (江蘇創新環保新材料有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 6 July 2017, the Shares of which are listed on the Main Board (stock code: 2116)
“Director(s)”	the director(s) of the Company
“Euro”	Euro, the lawful currency of the member states of European Union
“Group”, “we”, “us” or “our”	the Company and its subsidiaries
“HKAS”	Hong Kong Accounting Standards
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Innovative Green Holdings”	Innovative Green Holdings Limited, which is owned as to 50% by Mr. Ge and 50% by Ms. Gu, and is directly interested in approximately 75% of the issued Shares
“Listing”	the listing of the Shares on the Main Board on 28 March 2018
“Listing Date”	28 March 2018, being the date on which dealing in the Shares first commenced on the Main Board

## DEFINITIONS

“Listing Rules”	The Rules Governing the Listing of Securities on Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	main board of the Hong Kong Stock Exchange
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Mr. Ge”	Mr. Ge Xiaojun (葛曉軍), the Chairman, an Executive Director, the chief executive officer of the Company and one of our controlling shareholders and Ms. Gu’s spouse
“Ms. Gu”	Ms. Gu Jufang (顧菊芳), an Executive Director and one of our controlling shareholders and Mr. Ge’s spouse
“Reporting Period”	the period for the six months ended 30 June 2022
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“US\$” or “USD”	U.S. dollars, the lawful currency of the United States of America
“Yixing”	Yixing City (宜興市), a county under the jurisdiction of Wuxi City, Jiangsu Province, PRC
“Yixing Plant”	our production facilities located in Yixing
“%”	per cent.

# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Ge Xiaojun (*Chairman and chief executive officer*)

Ms. Gu Jufang

Mr. Huang Lei

Mr. Jiang Caijun

Mr. Fan Yaqiang

### Non-executive Director

Mr. Gu Yao

### Independent Non-executive Directors

Mr. Fan Peng

Mr. Guan Dongtao

Ms. Wu Yan

## AUDIT COMMITTEE

Mr. Guan Dongtao (*Chairman*)

Mr. Fan Peng

Ms. Wu Yan

## REMUNERATION COMMITTEE

Ms. Wu Yan (*Chairwoman*)

Mr. Guan Dongtao

Ms. Gu Jufang

## NOMINATION COMMITTEE

Mr. Ge Xiaojun (*Chairman*)

Ms. Wu Yan

Mr. Guan Dongtao

## JOINT COMPANY SECRETARIES

Mr. Tan Qian

Ms. Yu Anne (appointed on 26 August 2022)

Mr. Wong Yu Kit (resigned on 26 August 2022)

## AUTHORISED REPRESENTATIVES

Mr. Ge Xiaojun

Ms. Yu Anne (appointed on 26 August 2022)

Mr. Wong Yu Kit (resigned on 26 August 2022)

## REGISTERED ADDRESS IN THE CAYMAN ISLANDS

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN THE PRC

No. 16 West Kaixuan Road

Economic Development Zone

Yixing, Jiangsu

PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor

Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai

Hong Kong

# CORPORATE INFORMATION

## AUDITORS

KPMG  
Public Interest Entity Auditors  
registered in accordance with  
the Financial Reporting Council Ordinance  
Certified Public Accountants  
8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

## LEGAL ADVISERS

Stevenson, Wong and Co. (as to Hong Kong law)  
Jiangsu Roadxiu Law Firm (as to PRC law)

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG SHARE REGISTRAR

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

## PRINCIPAL BANKERS

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

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

Bank of Communications Co., Ltd.  
Yixing Sub-Branch  
No. 98, Middle Renmin Road  
Yicheng Subdistrict  
Yixing City, Jiangsu  
PRC

CMB Wing Lung Bank Limited  
45 Des Voeux Road  
Central  
Hong Kong

## COMPANY'S WEBSITE

<http://www.jscxsh.cn>

## STOCK CODE

2116

# 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 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 the 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Compliance with Key Regulatory Requirements

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

### Key requirements

According to the Measures for the Implementation of the Permits for the Safe Use of Hazardous Chemicals\* (危險化學品安全使用許可證實施辦法), chemical enterprises (other than manufacturing enterprises of hazardous chemicals) which use hazardous chemicals in production shall obtain the License for the Safe Use of Hazardous Chemicals\* (危險化學品安全使用許可證) if the amount of their use of hazardous chemicals has reached the stipulated quantity of hazardous chemicals.

According to the Measures for the Administration of Permits for Trading in Hazardous Chemicals\* (危險化學品經營許可證管理辦法), enterprises which are carrying out the operation of hazardous chemicals without the License for the Safe Operation of Businesses Dealing in Hazardous Chemicals\* (危險化學品經營許可證) may be ordered by the production safety administrative authorities to cease their business activities.

According to the 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.

### Compliance status

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 related government authority in 2020. For the Reporting Period, our Group has satisfied the conditions for exemption of obtaining the said license.

Our Group has complied with such requirement for the Reporting Period.

Our Group has complied with such requirement for the Reporting Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 environmental 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 environmental protection all the time.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 Reporting Period. The following table sets forth our revenue by products for the periods indicated:

	For the six months ended 30 June	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
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 Reporting Period, 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 Reporting Period 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 <i>RMB'000</i>	2021 <i>RMB'000</i>
Mainland China	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 Reporting Period, 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 has decreased from RMB4.4 million for the six months ended 30 June 2021 to RMB4.3 million for the Reporting Period, with no significant change.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 Reporting Period. The following table sets forth our cost of sales by products for the periods indicated:

	For the six months ended 30 June	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
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 Reporting Period, 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 Reporting Period, 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross profit

For the six months ended 30 June 2021 and the Reporting Period, 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 RMB'000	2021 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 Reporting Period, 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 period, 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 Reporting Period, 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 Reporting Period, 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 the Reporting Period was RMB1.1 million and RMB1.0 million, respectively, with no significant change.

For the six months ended 30 June 2021 and the Reporting Period, our effective tax rates 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 Reporting Period, which was mainly due to the increase of the total gross profit.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 Shares became listed on the Main Board on 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 long 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 and 2021, the Group had no contingent liabilities, guarantees and litigation against us.

## Capital expenditures

For the Reporting Period, 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 RMB'000	2021 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Off-balance sheet arrangements

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

## Material investments, acquisitions and disposals

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

## Charges on the Group's assets

No asset of the Group was subject to any charges as at 30 June 2022.

## Exposure to Exchange Rate Fluctuations

The assets, liabilities and transactions of the Group are primarily denominated in RMB, HKD, Euro and USD, and is 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, and no forward foreign exchange or hedging contracts were entered into by the Group during the same period. 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.

## USE OF PROCEEDS FROM THE LISTING

The Shares were listed on the Main Board 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 report, 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

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.

## OTHER INFORMATION

### AUDIT COMMITTEE

The Audit Committee of the Company (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 report 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 Reporting Period 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.

### SHARE OPTION SCHEME

The share option scheme was adopted by the Company and approved by Shareholders of the Company at the general meeting held 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 the Group.

Eligible participants of the Share Option Scheme include any employees, any executives, any directors (including independent non-executive directors), advisors, shareholders, suppliers, customers and consultants of our Group.

The Share Option Scheme is valid and effective for a period of 10 years commencing on 11 March 2018 and will expire on 10 March 2028. The remaining life of the Share Option Scheme is approximately 5.5 years.

No share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption. As of 30 June 2022, the Company has no outstanding share option under the Share Option Scheme.

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.

### 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.

## OTHER INFORMATION

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

As of 30 June 2022, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

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

Notes:

- (1) The letter "L" denotes an entity's/a person's long position in the Shares.
- (2) Innovative Green Holdings, a beneficial owner of 360,000,000 Shares, is owned as to 50% and 50% by Mr. Ge and Ms. Gu, respectively, and Mr. Ge and Ms. Gu are spouses to each other and therefore each of Mr. Ge and Ms. Gu is deemed to be interested in the Shares held by Innovative Green Holdings by virtue of the SFO.

Save as disclosed above, as of 30 June 2022, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## OTHER INFORMATION

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

As of 30 June 2022, to the best knowledge of the Directors, the following persons (other than a Director or chief executive of the Company) or corporations who had an interest or short position in the Shares or underlying Shares which fall to be disclosed to the Company and Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Nature of interest	Number of shares <sup>(1)</sup>	Approximate percentage of shareholding in the same class of Shares (%)
Innovative Green Holdings <sup>(2)</sup>	Beneficial Owner	360,000,000 (L)	75

Notes:

- (1) The letter "L" denotes an entity's/a person's long position in the Shares.
- (2) Innovative Green Holdings is owned as to 50% and 50% by Mr. Ge and Ms. Gu, respectively, and Mr. Ge and Ms. Gu are spouses to each other and therefore each of Mr. Ge and Ms. Gu is deemed to be interested in the Shares held by Innovative Green Holdings by virtue of the SFO.

Save as disclosed above, as of 30 June 2022, our Directors were not aware of any person (other than a Director or chief executive of the Company) or corporation who had an interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company and Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

### INTERIM DIVIDEND

The Board does not recommend any interim dividend for the Reporting Period.

### IMPACT OF THE COVID-19 PANDEMIC

Up to the date of this report, the Pandemic is still not deracinated. There might be rebounds of the Pandemic from time to time, which will 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.

## OTHER INFORMATION

### CORPORATE GOVERNANCE

Our Group is committed to maintaining high standards of corporate governance to protect the interest of our shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance. 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 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.

### UPDATES ON DIRECTORS AND SENIOR MANAGEMENT’S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, there is no change in the information of Directors since the date of the Board meeting approving the annual report of 2021 up to the date of the Board meeting approving this report.

Mr. Wong Yu Kit (“**Mr. Wong**”) has tendered his resignation as the joint company secretary of the Company (the “**Joint Company Secretary**”) and has ceased to act as (i) an authorised representative of the Company (the “**Authorised Representative**”) under Rule 3.05 of the Listing Rules; and (ii) an authorized representative of the Company under Rule 19.05(2) of the Listing Rules and Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) for the acceptance of service of process and notices on behalf of the Company in Hong Kong (the “**Process Agent**”) with effect from 26 August, 2022.

The Board resolved on 26 August 2022 to accept Mr. Wong’s resignation, and on the same day appointed Ms. Yu Anne (“**Ms. Yu**”) as the Joint Company Secretary, Authorised Representative and Process Agent in replacement of Mr. Wong with effect from 26 August, 2022.

Ms. Yu Anne is a corporate secretarial executive of SWCS Corporate Services Group (Hong Kong) Limited and has over 20 years experiences in corporate secretarial field. Ms. Yu holds a bachelor’s degree from University of Huddersfield in the United Kingdom and a Master of Law degree from The University of Law in the United Kingdom and she is also an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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.

# INDEPENDENT REVIEW REPORT



## Review report to the board of directors of Jiangsu Innovative Ecological New Materials Limited

*(Incorporated in the Cayman Islands with limited liability)*

### INTRODUCTION

We have reviewed the interim financial report set out on pages 22 to 36 which comprises the consolidated statement of financial position of Jiangsu Innovative Ecological New Materials Limited (the “**Company**”) as of 30 June 2022 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2022 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

#### **KPMG**

*Certified Public Accountants*

8th Floor, Prince’s Building  
10 Chater Road  
Central, Hong Kong

26 August 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2022 – unaudited

(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
<b>Revenue</b>	3	112,447	84,427
Cost of sales		(90,190)	(63,269)
<b>Gross profit</b>		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)
<b>Profit before taxation</b>	4	9,619	9,215
Income tax	5	(1,029)	(1,147)
<b>Profit for the period</b>		8,590	8,068
<b>Earnings per share</b>	6		
Basic and diluted (RMB cents)		1.79	1.68

The notes on pages 29 to 36 form part of this interim report.

## 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 RMB'000	2021 RMB'000
<b>Profit for the period</b>	<b>8,590</b>	8,068
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	<b>4,051</b>	(1,109)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside mainland China	<b>(2,372)</b>	599
<b>Other comprehensive income for the period</b>	<b>1,679</b>	(510)
<b>Total comprehensive income for the period</b>	<b>10,269</b>	7,558

The notes on pages 29 to 36 form part of this interim report.



# 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
<b>Non-current assets</b>			
Property, plant and equipment	7	40,573	40,065
Right-of-use assets	8	3,054	3,104
Deferred tax assets		461	543
		<b>44,088</b>	43,712
<b>Current assets</b>			
Inventories	9	55,702	36,269
Trade and other receivables	10	84,901	78,372
Prepayments		431	4,932
Cash and cash equivalents	11	144,261	152,059
		<b>285,295</b>	271,632
<b>Current liabilities</b>			
Trade and other payables	12	27,384	20,588
Contract liabilities		201	–
Income tax payable		3,860	3,089
		<b>31,445</b>	23,677
<b>Net current assets</b>		<b>253,850</b>	247,955
<b>Total assets less current liabilities</b>		<b>297,938</b>	291,667
<b>Non-current liabilities</b>			
Deferred tax liabilities		2,051	2,175
		<b>2,051</b>	2,175
<b>NET ASSETS</b>		<b>295,887</b>	289,492

The notes on pages 29 to 36 form part of this interim report.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

*at 30 June 2022 – unaudited*

*(Expressed in Renminbi Yuan)*

	<i>Note</i>	<b>At 30 June 2022 RMB'000</b>	<b>At 31 December 2021 RMB'000</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		3,873	3,873
Reserves	13	292,014	285,619
<b>TOTAL EQUITY</b>		<b>295,887</b>	<b>289,492</b>

Approved and authorised for issue by the board of directors on 26 August 2022.

	)	
Ge Xiaojun	)	
	)	Directors
Gu Jufang	)	
	)	

The notes on pages 29 to 36 form part of this interim report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2022 – unaudited

(Expressed in Renminbi Yuan)

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
<b>Balance at 1 January 2021</b>	3,873	96,060	79,938	23,004	3,906	76,339	283,120
<b>Changes in equity for the six months ended 30 June 2021:</b>							
Profit for the period	-	-	-	-	-	8,068	8,068
Other comprehensive income	-	-	-	-	(510)	-	(510)
<b>Total comprehensive income</b>	-	-	-	-	(510)	8,068	7,558
Dividends approved in respect of the previous year (note 13(a))	-	(4,026)	-	-	-	-	(4,026)
<b>Balance at 30 June 2021</b>	3,873	92,034	79,938	23,004	3,396	84,407	286,652

The notes on pages 29 to 36 form part of this interim report.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

*for the six months ended 30 June 2022 – unaudited*

*(Expressed in Renminbi Yuan)*

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	PRC statutory reserve <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total equity <i>RMB'000</i>
Balance at 1 January 2022	3,873	92,034	79,938	24,274	2,646	86,727	289,492
Changes in equity for the six months ended 30 June 2022:							
Profit for the period	-	-	-	-	-	8,590	8,590
Other comprehensive income	-	-	-	-	1,679	-	1,679
Total comprehensive income	-	-	-	-	1,679	8,590	10,269
Dividends approved in respect of the previous year (note 13(a))	-	(3,874)	-	-	-	-	(3,874)
Balance at 30 June 2022	3,873	88,160	79,938	24,274	4,325	95,317	295,887

The notes on pages 29 to 36 form part of this interim report.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2022 – unaudited

(Expressed in Renminbi Yuan)

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
<b>Operating activities:</b>		
Cash (used in)/generated from operations	(3,445)	18,695
Income tax paid	(300)	(1,618)
<b>Net cash (used in)/generated from operating activities</b>	<b>(3,745)</b>	<b>17,077</b>
<b>Investing activities:</b>		
Payment for the purchase of property, plant and equipment	(3,262)	(762)
Other cash flows arising from investing activities	1,278	1,396
<b>Net cash (used in)/generated from investing activities</b>	<b>(1,984)</b>	<b>634</b>
<b>Financing activities:</b>		
Dividends paid to equity shareholders of the Company	(3,874)	(4,026)
<b>Net cash used in financing activities</b>	<b>(3,874)</b>	<b>(4,026)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(9,603)</b>	<b>13,685</b>
Cash and cash equivalents at 1 January	152,059	144,762
Effect of foreign exchange rates changes	1,805	(444)
<b>Cash and cash equivalents at 30 June</b>	<b>144,261</b>	<b>158,003</b>

The notes on pages 29 to 36 form part of this interim report.

# 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.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 21.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

## 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:

- Amendments 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 RMB'000	2021 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.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

## 3 REVENUE (continued)

### (a) Disaggregation of revenue (continued)

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

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of revenue is based on the customers' location. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, and the location of the operation to which they are allocated, in the case of right-of-use assets. During the six months 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 RMB'000	2021 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 RMB'000	2021 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 (note 9)	187	27



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

## 5 INCOME TAX

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

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
<b>Current tax:</b>		
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
<b>Deferred tax:</b>		
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.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

## 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 RIGHT-OF-USE ASSETS

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

## 9 INVENTORIES

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Raw materials	27,260	22,691
Work in progress	11,483	7,501
Finished goods	12,820	3,459
Consignment goods	4,139	2,618
	<b>55,702</b>	<b>36,269</b>

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

	Six months ended 30 June 2022 RMB'000	2021 RMB'000
Carrying amount of inventories sold	90,003	63,242
Write-down of inventories	187	27
Cost of inventories directly recognised as research and development expenses	3,402	2,383
	<b>93,592</b>	<b>65,652</b>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

## 10 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.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

## 10 TRADE AND OTHER RECEIVABLES (continued)

### (a) Bills receivable (continued)

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).

## 11 CASH AND CASH EQUIVALENTS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Cash and cash equivalents in the condensed consolidated cash flow statement	144,261	152,059

## 12 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
Over 3 months but within 6 months	189	120
Over 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.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

## 13 CAPITAL AND RESERVES

### (a) Dividends

*(i) 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).

*(ii) 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

## 14 MATERIAL RELATED PARTY TRANSACTIONS

As at 30 June 2022, the Group had no balances with related parties (31 December 2021: Nil). During the six months ended 30 June 2022, the Group did not have material related party transactions (six months ended 30 June 2021: Nil).

### (a) Directors and key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors, is as follows:

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Short-term employee benefits	816	814
Post-employee benefits	21	19
	837	833