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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 2024

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 2024 (the "**Reporting Period**"), together with comparative figures for the corresponding period in 2023. 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 2024 – unaudited
(Expressed in Renminbi Yuan)

		Six months ended 30 June	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**69,137**	99,895
Cost of sales		**(50,105)**	(74,588)
Gross profit		**19,032**	25,307
Other income		**2,894**	2,639
Sales and marketing expenses		**(4,155)**	(4,586)
General and administrative expenses		**(5,250)**	(5,452)
Research and development expenses	*4(b)*	**(3,838)**	(4,610)
Profit before operations		**8,683**	13,298
Finance costs	*4(a)*	**(5)**	(13)
Profit before taxation	*4*	**8,678**	13,285
Income tax	*5*	**(1,808)**	(2,407)
Profit for the period		**6,870**	10,878
Earnings per share	*6*		
Basic and diluted *(RMB cents)*		**1.43**	2.27

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2024 – unaudited
(Expressed in Renminbi Yuan)

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Profit for the period	**6,870**	10,878
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	**751**	2,892
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside mainland China	**(402)**	1,926
Other comprehensive income for the period	**349**	4,818
Total comprehensive income for the period	**7,219**	15,696

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2024
(Expressed in Renminbi Yuan)

	Note	**At 30 June 2024 (Unaudited)** ***RMB'000***	At 31 December 2023 (Audited) *RMB'000*
Non-current assets			
Property, plant and equipment	*7*	**41,512**	39,743
Right-of-use assets		**2,854**	2,904
		44,366	42,647
Current assets			
Inventories		**35,926**	37,099
Trade and other receivables	*8*	**66,032**	82,907
Prepayments		**616**	1,539
Cash and cash equivalents		**98,894**	95,204
		201,468	216,749
Current liabilities			
Trade and other payables	*9*	**15,460**	24,469
Contract liabilities		**–**	2,210
Income tax payable		**2,795**	4,327
		18,255	31,006
Net current assets		**183,213**	185,743
Total assets less current liabilities		**227,579**	228,390
Non-current liability			
Deferred tax liabilities		**3,318**	2,637
		3,318	2.637
NET ASSETS		**224,261**	225,753
CAPITAL AND RESERVES			
Share capital		**3,873**	3,873
Reserves		**220,388**	221,880
TOTAL EQUITY		**224,261**	225,753

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.

The interim results set out in the announcement do not constitute the interim report for the six months ended 30 June 2024 but are extracted from the report.

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 authorised for issue on 26 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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.

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. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("**2020 amendments**")*

- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("**2022 amendments**")*

- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*

- Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial instruments: Disclosures – Supplier finance arrangements*

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	
	2024	2023
	RMB'000	*RMB'000*
Sales of oil refining agents	**43,999**	55,861
Sales of fuel additives	**25,138**	44,034
Total	**69,137**	99,895

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 six months ended 30 June 2024, substantially all specified non-current assets were physically located in the People's Republic of China (the "**PRC**").

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Mainland China	**67,765**	99,783
Other countries and regions	**1,372**	112
Total	**69,137**	99,895

(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):

(a) Finance costs

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Interest on other borrowings	**5**	13

(b) Other items

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Depreciation of right-of-use assets	**50**	50
Depreciation of property, plant and equipment	**2,828**	2,687
Research and development expenses (other than depreciation)	**3,261**	4,008
Impairment losses of trade receivables recognised	**131**	60
(Reversal)/write-down of inventories	**(12)**	121

5 INCOME TAX

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Current tax:		
Provision for current income tax for the period	**1,036**	9,674
Under/(over)-provision in respect of prior years	**91**	(329)
	1,127	9,345
Deferred tax:		
Origination and reversal of temporary differences	**681**	(6,938)
	1,808	2,407

(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 renewed the qualification of High and New Technology Enterprise on 6 November 2023 with an effective period of three years.

(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 2024 of RMB6,870,000 (six months ended 30 June 2023: RMB10,878,000) and 480,000,000 ordinary shares (six months ended 30 June 2023: 480,000,000 ordinary shares) in issue during the period.

There were no dilutive potential ordinary shares for the six months ended 30 June 2024 and 2023, 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 2024, acquisitions of property, plant and equipment amounted to RMB4,597,000 (six months ended 30 June 2023: RMB161,000). No property, plant and equipment were disposed of during the six months ended 30 June 2024 (Items of property, plant and equipment with a net book value of RMB22,000 were disposed of during the six months ended 30 June 2023, resulting in a loss on disposal of RMB19,000).

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 2024 ***RMB'000***	At 31 December 2023 *RMB'000*
Within 3 months	**44,315**	50,317
After 3 months but within 6 months	**4,713**	8,179
After 6 months but within 1 year	**3,267**	663
After 1 year but within 2 years	**2,953**	3,154
Trade receivables, net of loss allowance	**55,248**	62,313
Bills receivable *(note (a))*	**6,418**	18,052
Other receivables	**4,366**	2,542
Trade and other receivables, net	**66,032**	82,907

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

As at 30 June 2024, the Group endorsed undue bills receivable of RMB649,600 (31 December 2023: RMB3,070,585) to its suppliers to settle trade payables of the same amount and derecognised these bills receivable and payables to suppliers in their entirety from the statement of financial position as the Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred.

As at 30 June 2024, 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 RMB649,600 (31 December 2023: RMB3,070,585).

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 2024	At 31 December 2023
	RMB'000	*RMB'000*
Within 3 months	**3,486**	9,729
Over 3 months but within 6 months	**485**	304
Over 6 months but within 1 year	**114**	145
Over 1 year	**–**	8
Total trade payables	**4,085**	10,186
Other payables and accruals	**11,375**	14,283
Trade and other payables	**15,460**	24,469

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 2024 (six months ended 30 June 2023: 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	
	2024	2023
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK$0.02 per ordinary share (six months ended 30 June 2023: HK$0.01 per ordinary share)	**8,711**	4,223

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 Standard B of the National VI Emission Standard has been fully implemented since 1 July 2023, and a ban on the production, importation and sale of vehicles that do not comply with Standard B of the National VI Emission Standard has also been initiated at the same time, hence the PRC's gasoline fully entered the higher-quality era of National VI-B Standard, which supports the domestic market demand for fuel additives.

The PRC's oil refining capacity reached 936 million tons per year in 2023, the highest in the world. In 2024, a number of new refining-chemical integrated projects, such as the Yulong Island Refining-Chemical Integrated Project, will be put into operation, as a result, the total oil refining capacity of the PRC is expected to further increase to approximately 980 million tons per year, and additionally, the average scale of refineries will be further enlarged. It is predicted that between 2024 and 2027, more new oil refining projects will be built, representing about 85 million tons of annual capacity. Although the total refining capacity is still rising and the refineries are becoming bigger, the current domestic demand for gasoline and diesel is not robust, as a result, in the first half of 2024, the PRC's refining enterprises lacked the incentive to increase production, and many oil-processing units were shut down for overhaul, resulting in insufficient operating rate, consequently, the total diesel output slightly declined. On the other hand, along with the recovery and growth of the tourism industry and the further expansion and improvement of air transport facilities, the domestic demand for aviation fuel is growing significantly. It is expected that the apparent annual consumption of aviation kerosene in the PRC will reach 38.5 million tons in 2024, representing an increase of 12.5% year-on-year, and there remains substantial potential room for further growth in the future.

At the same time, we have noted that the PRC's new-energy vehicle industry is still growing rapidly, and that the growth rate of the PRC's oil refining capacity will be regulated by the government. In October 2023, relevant government departments of the PRC jointly issued several guidance, which focused on the control of refining capacity, the optimization of production capacity layout and the green, low-carbon and intelligent development of this industry, and pointed out that by 2025, the domestic primary oil-processing capacity should be controlled within 1 billion tons. Going forward, while continuing to meet the demands for fuel oil consumption, domestic oil refineries will deepen the refining-chemical integration and develop the business in high-end fine chemicals and new chemical materials.

The industry trend has certain impact on the demand for some of the Group's products in the short term, but it also provides the Group with the possibility and potential for development, research and production of agents and additives needed by refineries for the manufacture of high-end fine chemical materials. Despite the strong growth of the new-energy vehicle industry in the PRC, we are of the view that new energy is primarily restricted to the passenger vehicle market, and fuel-powered drive systems will remain the natural choice for heavy-duty traffic and equipment. We predict that the market shares of electric-powered and fuel-powered traffic means will eventually reach a reasonable balance.

The global situation is somewhat different from the PRC. Since the second half year of 2023, affected by political, economic and other multiple factors, regions like Europe have adjusted their relevant policies for new energy vehicles, including postponing or planning to postpone the ban on fuel vehicles, reducing subsidies for new energy vehicles and slowing down the pace of vehicle electrification. As a result, the energy consumption transition of the global transportation industry is slower than previously expected, and until arriving at the peak of petroleum demand, fuel oil will remain the main energy supply for the transportation industry, especially in regions rich in oil and gas resources. According to forecasts, the global annual refining capacity is expected to increase by nearly 100 million tons in 2024, and the capacity utilization rate is also expected to rise. Until 2030, the global refining capacity will continue to grow, especially in Asia Pacific and the Middle East regions. After that, the growth rate may gradually slow down, and by 2050, the global refining capacity will reach and remain at about 5.29 billion tons/year.

Given the above situations, we believe that the overall market demand for the Group's refining agents and fuel additives is sustainable in the long term, but in order to adapt to the domestic policy orientation and seek better development, the Group should accelerate the diversification of its products and businesses, and at the same time, continue its endeavor in increasing export channels through all possible means.

Business Overview

Our continuous efforts in customer diversification have achieved good results. Almost all of the large-scale private refining-chemical enterprises put into operation in recent years have become our long-term customers. At the same time, through business cooperation with more international and domestic traders, we have obtained a number of new foreign customers and broadened our sales channels. In terms of large state-run customers, we achieved better ranking than in previous years for several key products in the public bidding for Sinopec's 2024 annual centralized procurement. However, in the first half of 2024, due to the shutdown for overhaul of the oil-processing units of many major domestic customers, their consumption of oil refining agents and fuel additives decreased, as a result, their purchase volume of the Group's products decreased accordingly. Besides, as the civil war in Sudan continued and its impacts expanded, our export business generally remained sluggish.

As a result of the above factors, for the first half year of 2024, the Group's total revenue dropped to approximately RMB69.1 million, about 30.8% lower than that of the first half of last year. Correspondingly, the Group's total net profit for the first half year of 2024 dropped to approximately RMB6.9 million, about 36.8% lower than that of the first half of last year.

Thanks to the efforts of our research and development team, we were granted 2 invention patent right certificates in January and February 2024 respectively. In the first half year of 2024, our research and development team continued its efforts and submitted 9 new patent right applications for its research and development results to the relevant government authority, which are currently in the process of assessment and approval.

Following the identification of our Yixing Plant in 2023 as "Specialized, Refined and Innovative Small or Medium-Sized Enterprise of Jiangsu Province", in the first half year of 2024, we further initiated the application for the identification of national "Specialized, Refined and Innovative Small or Medium-Sized Enterprise" ("**Little Giant Enterprise**"), in order to further raise the status of Yixing Plant and enjoy more policy support.

On the basis of our Yixing Plant being awarded the honorary title of "Jiangsu Province Green Factory" by relevant government departments at the end of 2023, we further improved our environmental management level and added an online video monitoring system for exhaust gas and wastewater in the first half year of 2024, and at the same time, in order to further raise our safety management level, we improved our safety risk identification and control system.

Compliance with Key Regulatory Requirements

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

Key requirements	Compliance status
According to the Measures for the Implementation of the Licenses for the Safe Use of Hazardous Chemicals*（危險化學品安全使用許可證實施辦法）, chemical enterprises (other than manufacturing enterprises of hazardous chemicals) which use hazardous chemicals in production shall obtain the License for the Safe Use of Hazardous Chemicals*（危險化學品安全使用許可證）if the amount of their use of hazardous chemicals has reached the stipulated quantity of hazardous chemicals.	Aiming at better health, safety and environment performance, our Group has cut the quantity of hazardous chemicals used and is no longer required to obtain the said license following the evaluation by a professional organization and the registration with the related government authority in 2020. For the Reporting Period, our Group has satisfied the conditions for exemption of obtaining the said license.
According to the Measures for the Administration of Licenses 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 trading of hazardous chemicals without the License for Trading 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 Reporting Period.
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 Reporting Period

Future Plan and Prospects

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

- We will continue exploring and fully utilizing the functions and advantages of our newly-built distributed control system (DCS) to further improve our production efficiency, product quality and safety management level.

- While continuing cutting costs and increasing benefits by reducing energy and resource consumption, our Yixing Plant will vigorously carry forward the application for the identification of national "Specialized, Refined and Innovative Small or Medium-Sized Enterprise" ("**Little Giant Enterprise**"), so as to be entitled to more preferential and supportive policies from the government in our future development.

- We will endeavor more in the diversification of customers and businesses and adding to our sales channels. We will continue keeping track of the construction of new refinery units in the PRC and overseas, so as to seize the firsthand business opportunities. We will actively seek potential overseas customers, in order to add to our export channels. At the same time, we will cooperate with more multinational chemical enterprises and international and domestic traders in more markets and wider product range, so as to expand our market scope.

- We will continuously follow and study the development trend of "Producing less fuel oil and more chemicals and specialties" of the domestic oil refining industry. While continuing the development of new products in refining agents and fuel additives according to customers' needs, in line with the development trend of the oil refining industry, we will collaborate with research institutions and universities to research and development agents and additives required by refineries for the production of high-end fine chemicals and new chemical materials, and will begin to study the possibility of developing chemical business in non-oil-refining industries, making use of our high-purity oleic acid production facilities and technologies.

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

Financial Overview

Revenue

Our revenue has decreased by 30.8% from RMB99.9 million for the six months ended 30 June 2023 to RMB69.1 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	
	2024	2023
	RMB'000	*RMB'000*
Oil refining agents	**43,999**	55,861
Fuel additives	**25,138**	44,034
Total revenue	**69,137**	99,895

The revenue derived from oil refining agents has decreased from RMB55.9 million for the six months ended 30 June 2023 to RMB44.0 million for the Reporting Period, which was mainly due to the shutdown for overhaul of the oil-processing units of many major domestic customers in the first half of 2024, consequently, their consumption of oil refining agents decreased, as a result, their purchase volume of our oil refining agents decreased accordingly; due to the same cause, the revenue derived from fuel additives decreased from RMB44.0 million for the six months ended 30 June 2023 to RMB25.1 million for the Reporting Period.

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Mainland China	**67,765**	99,783
Other countries and regions	**1,372**	112
Total revenue	**69,137**	99,895

The revenue derived from the PRC market has decreased from RMB99.8 million for the six months ended 30 June 2023 to RMB67.8 million for the Reporting Period, which was mainly due to the decrease in our sales in the PRC market. The revenue derived from the other countries and regions increased from RMB0.1 million for the six months ended 30 June 2023 to RMB1.4 million for the Reporting Period, which was mainly due to the fact that our Niger customer reduced its purchases of our products in 2023 as a result of a coup d'état happened in its country, while purchases from this customer began to recover in 2024 when the political conditions in that country have stabilized.

Cost of sales

Our cost of sales has decreased from RMB74.6 million for the six months ended 30 June 2023 to RMB50.1 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	
	2024	2023
	RMB'000	*RMB'000*
Oil refining agents	**33,220**	42,466
Fuel additives	**16,885**	32,122
Total cost of sales	**50,105**	74,588

The cost of sales of oil refining agents has decreased from RMB42.5 million for the six months ended 30 June 2023 to RMB33.2 million for the Reporting Period, which was mainly due to the decrease in the sales volume of our oil refining agents. The cost of sales of fuel additives has decreased from RMB32.1 million for the six months ended 30 June 2023 to RMB16.9 million for the Reporting Period, which was mainly due to the decrease in the sales volume of our fuel additives and the drop of the purchase price of some major raw materials for our fuel additives.

Gross profit

For the six months ended 30 June 2023 and 2024, our gross profit amounted to RMB25.3 million and RMB19.0 million, respectively. Our gross profit margin was 25.3% and 27.5%, 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	
	2024	2023
	RMB'000	*RMB'000*
Oil refining agents	**10,779**	13,395
Fuel additives	**8,253**	11,912
Total gross profit	**19,032**	25,307

Our gross profit of oil refining agents has decreased from RMB13.4 million for the six months ended 30 June 2023 to RMB10.8 million for the Reporting Period, which was mainly due to the decrease in the total sales volume of our oil refining agents. Our gross profit margins of oil refining agents were 24.0% and 24.5% for the same periods, basically remained stable. Our gross profit of fuel additives has decreased from RMB11.9 million for the six months ended 30 June 2023 to RMB8.3 million for the Reporting Period, which was mainly due to the decrease in the total sales volume of our fuel additives. Our gross profit margin of fuel additives has increased from 27.1% to 32.8% for the same periods, which was mainly due to the drop of the purchase price of some major raw materials for our fuel additives.

Other income

Our other income has increased from RMB2.6 million for the six months ended 30 June 2023 to RMB2.9 million for the Reporting Period, which was mainly due to an increase in VAT extra deduction as a result of the new tax policy, which is equivalent to an increase in government grants.

Income tax expense

Our income tax expense for the six months ended 30 June 2023 and 2024 was RMB2.4 million and RMB1.8 million, respectively. The decrease in income tax was mainly due to the decrease in our profit before taxation.

For the six months ended 30 June 2023 and 2024, our effective tax rate for the same periods were 18.1% and 20.8%, respectively.

Profit for the period

Our profit has decreased by 36.8% from RMB10.9 million for the six months ended 30 June 2023 to RMB6.9 million for the Reporting Period, which was mainly due to the decrease in our 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 (the "**Listing**") on the main board of The Stock Exchange of Hong Kong Limited (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) (the "**Net Proceeds**").

We financed our operations primarily by the existing cash and cash equivalents, the Net Proceeds from the Listing and the 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 RMB95.2 million and RMB98.9 million as of 31 December 2023 and 30 June 2024 respectively, representing a slight increase of 3.9%.

Trade and other receivables

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

Our total trade and other receivables decreased from RMB82.9 million as of 31 December 2023 to RMB66.0 million as of 30 June 2024, which was mainly due to the decrease 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 decreased from RMB24.5 million as of 31 December 2023 to RMB15.5 million as of 30 June 2024, which was mainly due to our faster settlement and payment during the Reporting Period. 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 2023 and 30 June 2024, as the Group did not have any borrowings.

Contingent liabilities, guarantees and litigation

As of 30 June 2024, the Group had no contingent liabilities, guarantees or litigation.

Capital expenditures

For the Reporting Period, our capital expenditures were spent on purchase of property and equipment. The following table sets forth our capital expenditures for the periods indicated:

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Purchase of property, plant and equipment	**4,597**	161
Total capital expenditures	**4,597**	161

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 THE NET PROCEEDS FROM THE LISTING

The Shares were listed on the main board of the Stock Exchange on the Listing Date with the Net Proceeds received by the Company from the Listing of approximately HK$110.7 million. The Net Proceeds 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 following factors which have affected or will probably affect our operating results, for the best interest of the Company and its shareholders, we have slowed down the progress of our original plan on the use of the Net Proceeds, in order to mitigate the risk of excess production capacity and ensure that the intended results from the use of the Net Proceeds can be achieved.

1. The instability in the business from Sudan

   Prior to the Listing of the Company, the Sudan business had contributed a considerable part of the revenue and profits of the Company. For the years ended 31 December 2014, 2015, 2016 and 2017, our revenue generated from our Sudan business was RMB17.0 million, RMB17.3 million, RMB29.6 million and RMB21.1 million. After the Listing, for the years ended 31 December 2018, 2019, 2020, 2021 and 2022, our revenue generated from our Sudan business was RMB4.9 million, RMB10.5 million, RMB9.6 million, RMB6.6 million and RMB18.0 million, respectively. The fluctuations were due to such various causes as the overhaul of the processing units of our largest customer in Sudan, changes in shipping arrangements and a shortage of shipping containers. In general, the revenue generated from our Sudan business have not returned to the levels we saw before the Listing.

   Coup d'états occurred repeatedly in Sudan in 2019 and 2021, and in April 2023, a big-scale civil war broke out in Sudan, which led to the complete suspension of the operation of our Sudan customers, since then, we had not generated any revenue from our Sudan business, and up to now, it remains uncertain when this civil war will end.

   In view of the frequent unrests and political uncertainty of Sudan, we foresee the possibility of a long-term suspension or even termination of our Sudan business.

2. The development of electric vehicles

   In October 2020, the State Council of the PRC issued a Development Plan for the New Energy Vehicle Industry (2021–2035)* (《新能源汽車產業發展規劃(2021–2035年)》), setting a target of about a 20% share for new energy vehicles (the "**NEV(s)**") in new vehicle sales by 2025 and other development targets for the NEV industry. Up to now, the vast majority of the NEVs produced in the PRC are electric vehicles. With the support of the government and favorable policies in place, the sales of NEVs in the PRC have grown quickly in recent years and NEVs have occupied a considerable share the new vehicle market in the PRC, and it is likely that the market share of NEVs will continue to grow, further encroaching on the market share of fuel-powered vehicles.

   In view of the above situation, the Company is in the view that the rapid development of NEVs in China in the following few years will impact the consumption and demand of fuel oil, thereby slowing down the growth of oil processing agents and fuel additives, which are the Company's major products. As high-purity oleic acid is the main raw material for the production of lubricity improver, which is our most important fuel additive used in diesel fuel vehicles, the fast development of the NEV industry makes the Company take a cautious approach in building production facilities for manufacturing high-purity oleic acid.

3. The "Producing less fuel oil and more chemicals" trend of the domestic oil refining industry

In October 2021, president of China Federation of Industrial Economics proposed that the production of fuel oil should be reduced and the chemical industry structure of the PRC should be adjusted. Since 2021, the trend of "Producing less fuel oil and more chemicals" in the domestic oil refining industry has become increasingly prominent. In 2022, the Guiding Opinions on Promoting High-Quality Development of the Petrochemical and Chemical Industry during the 14th Five-Year Plan Period*（《關於「十四五」推動石化化工行業高品質發展的指導意見》）was issued by the Ministry of Industry and Information Technology and the National Development and Reform Commission along with four other ministries to promote refining and production practices aimed at reducing the output of refined oil products and increasing the production of chemical products to extend the petrochemical industry chain.

The demands for our major products, oil processing agents and fuel additives will be adversely impacted if the oil refineries produce less fuel oil and more chemical materials like ethylene and resin.

4. The international political unrest in recent years

Over the past few years, the geopolitical landscape has evolved rapidly. The deteriorating US-China relations and the ongoing Russian-Ukraine war have had serious implications for the oil refining industry. As the oil industry is particularly sensitive to political stability, these geopolitical tensions have led to increased volatility, disrupted supply chains, and fluctuating oil prices, further complicating market dynamics. Consequently, the Company's results of operations may be affected by the spillover effects of these geopolitical developments. In fact, our Niger business in 2023 was significantly affected by a coup d'état that took place in Niger.

The increasingly instable geopolitical landscape is another factor considered by us in delaying our utilization of the remaining Net Proceeds.

5. The impact of a chemical incident towards the Company's expansion

On 21 March 2019, a major explosion occurred at a chemical plant in Jiangsu Province, which caused 78 deaths and more than 600 injuries. After the accident, the local safety administration department has tightened its scrutiny on approving the production of new chemical products and the expansion of chemical plants. Additionally, there has also been a general regulatory shift towards a more conservative attitude regarding expansion of industrial plants within the region. This change in the local regulatory sentiment has caused some difficulties and challenges for the Company in utilizing the Net Proceeds for building and expanding production facilities for our products as well as high-purity oleic acid as the major raw material for our most important fuel additive, lubricity improver.

Up to the date of this announcement, we have only completed part of the investment in the projects for upgrading our Yixing plant and building production facilities for the manufacturing of an important raw material, high-purity oleic acid, which have been put into commercial production and achieved certain effects.

The Board will follow closely the developments of the civil war in Sudan, the international political and economic situations, the advancements in the domestic electric vehicle market, the development trend of the domestic oil refining industry and the possible changes in local safety regulatory sentiment, and at the same time, explore the possibility of manufacturing processing agents and additives for oil refineries to produce plastic materials like ethylene and resin and also study the possibility of developing chemical business in non-oil-refining industries, making use of our high-purity oleic acid production facilities and technologies. We will accelerate the investment of the remaining Net 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 2024, the utilization of the Net Proceeds and remaining balance (approximately HK$52.5 million) are set out below:

Purposes	**Allocation on a pro-rata basis**	**Amount actually used from the Listing Date to 30 June 2024**	**Amount unutilized brought forward as of 31 December 2023**	**Amount utilized during the Reporting Period**	**Balance of amount unutilized as of 30 June 2024**
To upgrade our Yixing plant by purchasing new sets of machinery, equipment and analytical instruments	Approximately HK$42.8 million (approximately 39%)	Approximately HK$18.6 million	Approximately HK$24.2 million	–	Approximately HK$24.2 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	–	Approximately HK$28.3 million
General business operations and working capital	Approximately HK$8.8 million (approximately 8%)	Approximately HK$8.8 million	–	–	–
To repay bank borrowings	Approximately HK$5.2 million (approximately 4%)	Approximately HK$5.2 million	–	–	–
Total	**Approximately HK$110.7 million (100%)**	**Approximately HK$58.2 million**	**Approximately HK$52.5 million**	**–**	**Approximately HK$52.5 million**

* *The remaining balance of the Net Proceeds is expected to be used up in 24 months from 30 June 2024. The Company remains committed to using the remaining Net Proceeds in a timely manner to support its business operations. We are actively monitoring the changes in our actual business operation and actual market conditions to minimize any potential delays. Should there be a need to revise the expected timeline for completing the utilization of the Net Proceeds, the company will promptly disclose such information to the Shareholders.*

There has been no change in the intended use of the Net Proceeds since the Listing Date.

EMPLOYMENT AND EMOLUMENTS

As of 30 June 2024, our Group had 59 employees. All of our employees are based in the PRC. Our employees' remuneration has been paid in accordance with relevant laws and regulations in the PRC. Appropriate salaries and bonuses were paid with reference to the actual practices of the Company. Other corresponding benefits 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 C1 to the Rules Governing the Listing of Securities on the Stock Exchange (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 Xiaojun **("Mr. Ge")** is the chairman of the Board and the chief executive officer of the Company. The Board is of the view that vesting the roles of both chairman and chief executive officer in Mr. Ge has the benefit of providing consistent and continuous planning and execution of our Group's strategies. The Board also believes that the current arrangement is in the interest of the Company and its shareholders as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

The Company did not have any treasury shares (as defined under the Listing Rules) as at 30 June 2024.

EVENTS AFTER THE REPORTING PERIOD

There are no significant subsequent events after the Reporting Period and up to the date of this announcement.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2024.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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 2024 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 respective 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 2024 will be available on the same websites and dispatched to the shareholders of the Company who request printed copies by the end of September 2024 as required under the Listing Rules.

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

Hong Kong, 26 August 2024

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

* *For identification purpose only*