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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 2018

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 2018 (the "**Reporting Period**"), together with comparative figures for the corresponding period in 2017. The Board and the audit committee (the "**Audit Committee**") have reviewed and confirmed the Interim Results.

INTERIM RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2018 - unaudited

(Expressed in Renminbi Yuan)

		Six months ended 30 June	
	Note	**2018**	2017
		RMB'000	*RMB'000*
Revenue	3	**81,235**	79,197
Cost of sales		**(56,618)**	(49,921)
Gross profit		**24,617**	29,276
Other income		**4,140**	917
Sales and marketing expenses		**(3,399)**	(3,693)
General and administrative expenses		**(10,704)**	(3,885)
Research and development expenses	4(b)	**(3,961)**	(2,829)
Profit from operations		**10,693**	19,786
Finance costs	4(a)	**(334)**	—
Profit before taxation	4	**10,359**	19,786
Income tax	5	**(671)**	(2,860)
Profit for the period		**9,688**	16,926
Earnings per share	6		
Basic and diluted (RMB cents)		**2.29**	4.70

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2018 - unaudited

(Expressed in Renminbi Yuan)

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Profit for the period	**9,688**	16,926
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	**5,713**	—
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside mainland China	**(2,059)**	—
Other comprehensive income for the period	**3,654**	—
Total comprehensive income for the period	**13,342**	16,926

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2018 - unaudited

(Expressed in Renminbi Yuan)

	Note	**At 30 June 2018** *RMB'000*	At 31 December 2017 *RMB'000*
Non-current assets			
Property, plant and equipment	7	**18,915**	19,565
Lease prepayment	8	**3,454**	3,504
Deferred tax assets		**1,195**	446
		23,564	23,515
Current assets			
Inventories	9	**32,510**	15,746
Trade and other receivables	10	**88,447**	91,954
Cash and cash equivalents	11	**118,697**	25,973
		239,654	133,673
Current liabilities			
Bank loan	12	**—**	18,000
Trade and other payables	13	**30,405**	27,839
Income tax payable		**3,570**	4,038
		33,975	49,877
Net current assets		**205,679**	83,796
Total assets less current liabilities		**229,243**	107,311
NET ASSETS		**229,243**	107,311
CAPITAL AND RESERVES			
Share capital	14	**3,873**	—
Reserves	14	**225,370**	107,311
TOTAL EQUITY		**229,243**	107,311

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. Pursuant to the completion of various steps of a reorganization on 12 September 2017, the Company became the holding company of the Group. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the"**Stock Exchange**") on 28 March 2018 (the "**Listing**"). The Group are principally engaged in the development, manufacture and sale of oil refining agents and fuel additives that are applied to reduce undesirable emissions and navigate the regulatory landscape.

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)34,. It was authorized for issue on 24 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

2 Changes in accounting policies

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

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

None of these developments has 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) The amount of each significant category of revenue recognised is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Sales of oil refining agents	**51,552**	56,829
Sales of fuel additives	**29,683**	22,368
Total	**81,235**	79,197

(b) Information about 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 selling location. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of lease prepayment. During the period ended 30 June 2018, substantially all specified non-current assets were physically located in the PRC.

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Mainland China	**76,888**	68,417
Sudan	**3,698**	8,828
Other countries and regions	**649**	1,952
Total	**81,235**	79,197

(c) Segment reporting

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

4 Profit before taxation

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

(a) Finance costs

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Interest on bank loan	**334**	—

(b) Other items

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Amortization of intangible assets	**50**	50
Depreciation	**1,276**	1,230
Research and development expenses (other than depreciation)	**3,514**	2,387
Impairment losses of trade receivables recognised/(reversed)	**63**	(66)
Net reversals of inventory write-down (note 9)	**(3)**	(12)
Listing expenses	**6,637**	—

5 Income tax

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Current tax:		
Provision for current income tax for the period	**1,420**	2,899
Deferred tax:		
Origination and reversal of temporary differences	**(749)**	(39)
	671	2,860

(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 obtained the approval of High and New Technology Enterprise in 2013 with an effective period of three years from 2013 to 2015 and obtained the renewed approval of High and New Technology Enterprise in 2016 with another effective period of three years from 2016 to 2018. Therefore, Jiangsu Chuangxin was entitled to a preferential income tax rate of 15% for a period of three years from 2016 to 2018.

(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 2018 of RMB9,688,000 (six months ended 30 June 2017: RMB16,926,000) and the weighted average of 422,983,425 ordinary shares (six months ended 30 June 2017: 360,000,000 shares after adjusting capitalization issue) in issue during the period.

There were no dilutive potential ordinary shares for the six months ended 30 June 2018 and 2017, 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 2018, acquisitions of property, plant and equipment amounted to RMB626,000 (six months ended 30 June 2017: RMB87,000). Items of property, plant and equipment with a net book value of RMB50,000 were disposed of during the six months ended 30 June 2018 (six months ended 30 June 2017: Nil), resulting in a loss on disposal of nil (six months ended 30 June 2017: Nil).

At 30 June 2018, properties of the Group with a carrying amount of nil (31 December 2017: RMB5,195,000) were pledged to secure the bank loan of the Group as detailed in Note 12.

8 Lease prepayment

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

At 30 June 2018, land use right of the Group with a carrying amount of nil (31 December 2017: RMB3,504,000) was pledged to secure the bank loan of the Group as detailed in Note 12.

9 Inventories

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

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Raw materials	**25,322**	11,012
Work in progress	**1,374**	349
Finished goods	**5,453**	4,206
Consignment goods	**361**	179
	32,510	15,746

(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 2018 RMB'000	2017 RMB'000
Carrying amount of inventories sold	**56,714**	49,933
Write-down of inventories	**—**	22
Reversal of write-down of inventories	**(3)**	(34)
Cost of inventories directly recognised as research and development expenses	**2,632**	1,572
	59,343	51,493

10 Trade and other receivables

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

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Within 3 months	**53,173**	41,781
After 3 months but within 6 months	**4,690**	27,725
After 6 months but within 1 year	**15,912**	9,967
After 1 year but within 2 years	**846**	350
After 2 years	**—**	8
Trade receivables, net of loss allowance	**74,621**	79,831
Bills receivables (note (a))	**3,283**	3,550
Total trade receivables	**77,904**	83,381
Other receivables	**6,661**	3,591
Deposits and prepayments	**3,882**	4,982
Trade and other receivables, net	**88,447**	91,954

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

(a) Bills receivables

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

During the period ended 30 June 2018, 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 and had discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 30 June 2018, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB2,000,000 (31 December 2017: RMB3,050,000).

11 Cash and cash equivalents

	At 30 June 2018 ***RMB'000***	At 31 December 2017 *RMB'000*
Cash and cash equivalents in the condensed consolidated cash flow statement	**118,697**	25,973

12 Bank loan

As at 31 December 2017, the bank loan represented a one-year loan of RMB18,000,000 with annual interest rate of 4.80% borrowed from a state-owned commercial bank in the PRC pledged by the land use rights and properties of the Group. The carrying amounts of land use rights and properties of the Group pledged amounted to RMB3,504,000 and RMB5,195,000 respectively as at 31 December 2017. The bank loan was repaid by the Group on 9 May 2018.

13 Trade and other payables

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

	At 30 June 2018 ***RMB'000***	At 31 December 2017 *RMB'000*
Within 3 months	**14,778**	7,401
After 3 months but within 6 months	**341**	1,251
After 6 months but within 1 year	**1,123**	163
Over 1 year but within 2 years	**356**	356
Total trade payables	**16,598**	9,171
Other payables and accruals	**13,807**	18,668
Trade and other payables	**30,405**	27,839

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

14 Capital and reserves

(a) *Profit distribution*

(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 2018.

On 31 August 2017, an interim dividend in respect of the period ended 30 June 2017 of RMB20,415,000 were declared and approved by Jiangsu Chuangxin to Full Success International Limited ("**Full Success**"), the then equity shareholder of Jiangsu Chuangxin. Interim dividend of RMB20,415,000 declared and approved after 30 June 2017 has not been recognised as a liability during the six months ended 30 June 2017.

(ii) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period*

No final dividend in respect of the previous financial year has been approved during the interim period (six months ended 30 June 2017: RMB nil).

(b) *Share capital*

(i) *Ordinary shares*

	Par value	**No. of shares**	**HK$**
	HK$	*'000*	*'000*
Ordinary shares, issued and fully paid			
At 1 January 2017	—	—	—
Arising from the reorganisation	0.01	—*	—*
At 31 December 2017	0.01	—*	—*
RMB equivalent ('000)			—*
At 1 January 2018	0.01	—*	—*
Capitalization issue (note(ii))	0.01	360,000	3,600
Initial public offering (note(iii))	0.01	120,000	1,200
At 30 June 2018	0.01	480,000	4,800
RMB equivalent ('000)			3,873

* The balance represented amount less than 1,000.

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

Upon the completion of various steps of the Reorganization, the Company became the holding company of the companies comprising the Group on 12 September 2017. The share capital in the consolidated statement of financial position as at 31 December 2017 represents the issued share capital of HK$0.01 of the Company.

(ii) Capitalization issue

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

(iii) Issue of ordinary shares by initial public offering

On 28 March 2018, the Company issued 120,000,000 shares with a par value of HK$0.01, at a price of HK$1.25 per share by way of public offering in Hong Kong. Net proceeds from these issues amounted to RMB108,590,000 (after offsetting expenses directly attributable to the issue of shares of RMB11,440,000), out of which RMB960,000 and RMB107,630,000 were recorded in share capital and share premium accounts, respectively.

(c) Share premium

Share premium as at 30 June 2018 represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received from the initial public offering, net of related issuance costs. Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately from following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

(d) Capital reserve

On 12 September 2017, the Company become the holding company of the Group, and the aggregate amount of the paid-in capital of all the entities comprising the Group were transferred to the capital reserve.

(e) PRC statutory reserves

Statutory general reserve

Statutory general reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the company comprising the Group which is incorporated in the PRC.

For the entity concerned, statutory general reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital right before conversion.

15 Related party transactions

In addition to the related party information disclosed elsewhere in the interim financial statements, the Group entered into the following material related party transactions.

During the period, the directors are of the view that the following companies and individuals are related parties of the Group:

Name of party	**Relationship**
Ge Xiaojun and Gu Jufang (Spouse of Ge Xiaojun) 葛曉軍、顧菊芳*	Controlling Shareholder
Jiangsu Hongming Petrochemical Trading Co., Ltd. 江蘇鴻銘化工貿易有限公司("Jiangsu Hongming")*	Entity controlled by the Controlling Shareholder
Earn Wealth International Limited ("Earn Wealth")	Entity controlled by the Controlling Shareholder

* The official names of these persons and companies are in Chinese. The English translation of the names is for reference only.

(a) Transactions with related parties

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Non-recurring transactions:		
Cash collection on behalf of the Group		
Earn Wealth	**—**	18,090
Advance to related parties		
Ge Xiaojun and Gu Jufang	**—**	1,819
Proceeds from repayment of advance to related parties		
Jiangsu Hongming	**—**	6,971
Ge Xiaojun and Gu Jufang	**—**	2,600
	—	9,571

As at 30 June 2018, the Group had balances with related parties of nil (31 December 2017: Nil).

(b) 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	
	2018	2017
	RMB'000	*RMB'000*
Short-term employee benefits	**694**	459
Post-employee benefits	**20**	68
	714	527

MANAGEMENT DISCUSSION AND ANALYSIS

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

The shares of the Company (the "**Shares**") were 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**") (the "**Share Offer**").

Industry Overview

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

On 18 December 2013, the government of the People's Republic of China (the " **PRC**") promulgated the "China V" Fuel Quality Standard (第五階段車用汽油國家標準), which sets stricter emissions and fuel quality requirements than the "China IV" Fuel Quality Standard (第四階段車用汽油國家標準) previously in force. The "China V" Fuel Quality Standard mandates that by 31 December 2017, members of the petrochemical industry must lower sulfur levels in fuels from 50 ppm as required under the "China IV" Fuel Quality Standard to 10 ppm, a reduction of 80%. The government of the PRC will implement even more stringent fuel quality requirements under the "China VI" Fuel Quality Standard.

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

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

Business Overview

We aspire to bring forth an innovative, environmentally sustainable generation of oil refining technology with our oil refining agents and fuel additives. Our oil refining agents are used to refine crude oil and extend the working life of oil refining units, enhancing economic efficiencies and, with respect to oil refineries, reducing undesirable emissions in the form of industrial waste. Our fuel additives are used to assist customers in complying with evermore stringent mandatory emissions regulations while maintaining the quality and efficiency of fuels. We are among the earliest of our peers to enter the PRC oil refining agents and fuel additives industry and formed long-standing relationships with various affiliates of three state-owned conglomerates, namely China Petrochemical

Corporation (中國石油化工集團公司) ("**Sinopec**"), China National Offshore Oil Corporation (中國海洋石油集團) and China National Petroleum Corporation (中國石油天然氣集團公司) ("**CNPC**").

As of the date of this announcement, we owned three invention patents and 15 utility model patents and have been qualified as "High and New Technology Enterprise" (高新技術企業) since 2013. For the six months ended 30 June 2018, we recorded total revenue of RMB81.2 million compared to total revenue of RMB79.2 million for the six months ended 30 June 2017.

Compliance with Key Regulatory Requirements

The following table summarizes the key statutory requirements and our compliance status for the six months ended 30 June 2018:

Key requirements	**Compliance status**
According to the Measures for the Implementation of the Permits for the Safe Use of Hazardous Chemicals (危險化學品安全使用許可證實施辦法), chemical enterprises (other than manufacturing enterprises of hazardous chemicals) which use hazardous chemicals in production and the amount of their consumption of hazardous chemicals has reached the quantitative standards of hazardous chemicals shall obtain the License for the Safe Use of Hazardous Chemicals (危險化學品安全使用許可證).	Our Group complied with such requirement for the six months ended 30 June 2018.
According to the Measures for the Administration of Permits for Trading in Hazardous Chemicals (危險化學品經營許可證管理辦法), enterprises carrying out the operation of hazardous chemicals without the License for the Safe Operation of Businesses Dealing in Hazardous Chemicals (危險化學品經營許可證) may be ordered by the production safety administrative authorities to stop their business activities.	Our Group complied with such requirement for the six months ended 30 June 2018.
According to the Interim Measures for the Administration of Pollutants Discharge Licenses (排污許可證管理暫行規定), enterprises directly or indirectly discharging industrial wastewater into water must obtain a pollutant discharge license.	Our Group complied with such applicable requirement for the six months ended 30 June 2018.

Future Plan and Prospects

We intend to further strengthen our core competitive strengths and enable us to capture rising business opportunities by the following strategies:

- Increase our production capacity to meet rising customer demand by upgrading the production capacity of our plant in Yixing city;
- Expand our product mix to create new market opportunities while continuing to enhance the quality of our existing products and technologies;
- Expand our customer base to diversify our revenue sources by reaching out to non-state-owned oil refineries and potential customers overseas;
- Extend our upstream reach and produce certain key raw materials to lower procurement costs and exercise greater control over product quality by building up production facilities; and
- Continue enhancing our research and development capabilities to develop innovative, high-quality oil refining agents and fuel additives.

During the Reporting Period, we did not experience any significant change in our pricing and there was no material change in our cost of principal raw materials. Further, to the best of the Directors' knowledge, there was no development in our industry which may materially and adversely affect our business.

Financial Overview

Revenue

Our revenue increased by 2.6% from RMB79.2 million for the six months ended 30 June 2017 to RMB81.2 million for the six months ended 30 June 2018. The following table sets forth our revenue by products for the periods indicated:

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Oil refining agents	**51,552**	56,829
Fuel additives	**29,683**	22,368
Total revenue	**81,235**	79,197

Revenue derived from oil refining agents decreased from RMB56.8 million for the six months ended 30 June 2017 to RMB51.5 million for the six months ended 30 June 2018 mainly due to the decrease of consumption as a result of the downtime for the overhaul of the customer in Sudan and some of the customers from Sinopec. Revenue derived from fuel additives increased from RMB22.4 million for the six months ended 30 June 2017 to RMB29.7 million for the six months ended 30 June 2018 mainly due to the large demands for fuel additives of a customer from CNPC.

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
China	**76,888**	68,417
Sudan	**3,698**	8,828
Others[1]	**649**	1,952
Total revenue	**81,235**	79,197

Note:

(1) Other countries and regions in which we had sales for the six months ended 30 June 2017 and 2018 included Chad and Niger in Africa. We sell our products to certain of our customers in these countries and regions through their designated agents.

Revenue derived from the PRC market increased from RMB68.4 million for the six months ended 30 June 2017 to RMB76.9 million for the six months ended 30 June 2018 mainly due to the increase of demands of domestic customers. Revenue derived from the Sudan market decreased from RMB8.8 million for the six months ended 30 June 2017 to RMB3.7 million for the six months ended 30 June 2018 mainly due to the decrease of consumption for our refining agents as a result of the downtime for the overhaul of the customer in Sudan.

Cost of sales

Our cost of sales increased from RMB49.9 million for the six months ended 30 June 2017 to RMB56.6 million for the six months ended 30 June 2018. The following table sets forth our cost of sales by products for the periods indicated:

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Oil refining agents	**37,114**	34,616
Fuel additives	**19,504**	15,305
Total cost of sales	**56,618**	49,921

The cost of sales of oil refining agents increased from RMB34.6 million for the six months ended 30 June 2017 to RMB37.1 million for the six months ended 30 June 2018 mainly due to the increase of the price of raw materials. The cost of sales of fuel additives increased from RMB15.3 million for the six months ended 30 June 2017 to RMB19.5 million for the six months ended 30 June 2018 mainly due to the increase of the sales volumes for our fuel additives.

Profit from operations

Our profit from operations decreased from RMB19.8 million for the six months ended 30 June 2017 to RMB10.7 million for the six months ended 30 June 2018 mainly due to the professional service fees in relation to the Listing. The following table sets forth the other income for the periods indicated:

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Gross profit	**24,617**	29,276
Other income	**4,140**	917
Sales and marketing expenses	**(3,399)**	(3,693)
General and administrative expenses	**(10,704)**	(3,885)
Research and development expenses	**(3,961)**	(2,829)
Total	**10,693**	19,786

Gross profit

For the six months ended 30 June 2017 and 2018, our gross profit amounted to RMB29.3 million and RMB24.6 million, respectively. Our gross profit margin was 37% and 30%, 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	
	2018	2017
	RMB'000	*RMB'000*
Oil refining agents	**14,438**	22,213
Fuel additives	**10,179**	7,063
Total gross profit	**24,617**	29,276

Our gross profit of oil refining agents decreased by 35.0% from RMB22.2 million for the six months ended 30 June 2017 to RMB14.4 million for the six months ended 30 June 2018 mainly due to the decrease of the consumption as a result of the concentrated overhaul of the customers from Sinopec and Sudan for the six months ended 30 June 2018. Our gross profit of fuel additives increased by 44.1% from RMB7.1 million for the six months ended 30 June 2017 to RMB10.2 million for the six months ended 30 June 2018 mainly due to the increase of the sales volumes for our fuel additives.

Other income

Our other income increased from RMB0.9 million for the six months ended 30 June 2017 to RMB4.1 million for the six months ended 30 June 2018 mainly due to the increase of government grants and interest income from bank deposits.

General and administrative expenses

Our general and administrative expenses mainly include the labor and welfare costs, taxes, depreciation and amortization, travel expenses, office and vehicles expenses and hospitality and entertainment costs.

Our general and administrative expenses increased from RMB3.9 million for the six months ended 30 June 2017 to RMB10.7 million for the six months ended 30 June 2018 mainly due to the increase of RMB6.6 million in professional service fees in relation to the Listing.

Income tax expense

Our income tax expense for the six months ended 30 June 2017 and 2018 was RMB2.9 million and RMB0.7 million, respectively. We are entitled to preferential income tax rate of 15% since we are qualified as "High and New Technology Enterprise". For the six months ended 30 June 2017 and 2018, our effective tax rate for the same periods were 14.5% and 6.5%, respectively.

Profit for the period

As a result of the foregoing, our profit decreased by 42.8% from RMB16.9 million for the six months ended 30 June 2017 to RMB9.7 million for the six months ended 30 June 2018 mainly due to the increase of RMB6.6 million in professional service fees in relation to the Listing. Our gearing ratio was nil as of 30 June 2017 and 2018, which was calculated by total borrowings divided by total assets.

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 RMB26.0 million as of 31 December 2017 and RMB118.7 million as of 30 June 2018. Such increase was mainly due to the net proceeds from the Share Offer.

Liquidity, Financial Resources and Capital structure

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

The Shares became listed on the main board of the Stock Exchange ("**Main Board**") on the Listing Date with net proceeds from the Share Offer of approximately HK$110.7 million (after deducting underwriting commissions and other estimated expenses in connection with the Share Offer).

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

Selected items of the statements of financial position

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

	As of	
	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
Current assets		
Inventories	**32,510**	15,746
Trade and other receivables	**88,447**	91,954
Cash and cash equivalents	**118,697**	25,973
Total assets	**239,654**	133,673
Current liabilities		
Bank loan	**—**	18,000
Trade and other payables	**30,405**	27,839
Income tax payable	**3,570**	4,038
Total current liabilities	**33,975**	49,877
Net current assets	**205,679**	83,796

Our current assets increased from RMB133.7 million as of 31 December 2017 to RMB239.7 million as of 30 June 2018 mainly due to the net proceeds from the Share Offer. Our current liabilities decreased from RMB49.9 million as of 31 December 2017 to RMB34.0 million as of 30 June 2018 mainly due to the repayment of the bank loan.

Inventories

Our inventories consist of raw materials, work in progress, finished goods and consignment goods. Our inventories increased from RMB15.7 million as of 31 December 2017 to RMB32.5 million as of 30 June 2018 mainly because we purchased more raw materials for a large order which will be delivered in the second half of the year. The following table sets forth our inventories as of the dates indicated:

	As of	
	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
Raw materials	**25,322**	11,012
Work in progress	**1,374**	349
Finished goods	**5,453**	4,206
Consignment goods	**361**	179
Total	**32,510**	15,746

Our raw materials increased from RMB11.0 million as of 31 December 2017 to RMB25.3 million as of 30 June 2018 mainly because we purchased more raw materials for a large order which will be delivered in the second half of the year.

Our finished goods increased from RMB4.2 million as of 31 December 2017 to RMB5.5 million as of 30 June 2018 mainly due to an increase in the inventory level of desulfurizing agents which has not been delivered yet.

Bank loan

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

Trade and other receivables

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

	As of	
	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
Trade receivables	**74,621**	79,831
Bills receivables	**3,283**	3,550
Total Trade and bills receivables	**77,904**	83,381
Other receivables	**6,661**	3,591
Deposits and prepayments	**3,882**	4,982
Total Trade and other receivables, net	**88,447**	91,954

Our total trade and bill receivables decreased from RMB83.4 million as of 31 December 2017 to RMB77.9 million as of 30 June 2018 mainly due to the decrease of the trade receivables.

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

	As of	
	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
Within 3 months	**53,173**	41,781
After 3 months but within 6 months	**4,690**	27,725
After 6 months but within 1 year	**15,912**	9,967
After 1 year but within 2 years	**846**	350
After 2 years	**—**	8
Total	**74,621**	79,831

Credit periods and trade receivables

We set credit periods ranging from 30 to 90 days for our PRC customers, calculated from the dates that our invoices are issued. As most of our customers are affiliates of the three state-owned conglomerates, they generally have longer payment periods, which our Directors believe is due to longer internal approval processes. We employ a favorable credit policy towards our customers due to their scale and financial strength. We did not have any material bad debts during the Reporting Period.

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

Trade and other payables

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

	As of	
	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
Trade payables	**16,598**	9,171
Other payables and accruals	**13,807**	18,668
Total Trade and other payables	**30,405**	27,839

Our trade and other payables increased from RMB27.8 million as of 31 December 2017 to RMB30.4 million as of 30 June 2018 mainly due to the increase of the purchase of raw materials. All trade payables are expected to be settled within one year.

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

	As of	
	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**14,778**	7,401
After 3 months but within 6 months	**341**	1,251
After 6 months but within 1 year	**1,123**	163
After 1 year but within 2 years	**356**	356
Total	**16,598**	9,171

Contingent liabilities

On 11 July 2018, we received a cautionary letter dated 29 June 2018 ("**Cautionary Letter**") issued by the U.S. Department of the Treasury's Office of Foreign Assets Control ("**OFAC**"). It states that OFAC decided to address the matter raised in the voluntary self-disclosure, which was submitted by the Company in light of the potential violations on 19 September 2017, by issuing the Cautionary Letter to give us a cautionary reminder instead of pursuing a civil monetary penalty. For more details, please refer to the announcement of the Company dated 13 July 2018. As of 30 June 2018, we had no contingent liabilities.

Capital expenditures

For the six months ended 30 June 2018, our capital expenditures were spent on the purchase of environment-protection facilities, safety facilities, transportation equipment, storage facilities and analytical equipment and instruments. The following table sets forth our capital expenditures for the periods indicated:

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Purchase of property, plant and equipment	**626**	87
Total capital expenditures	**626**	87

Related party transactions

As of 30 June 2018, we did not have any related party transactions.

Connected transaction

As of 30 June 2018, we did not have any connected transaction.

Off-balance sheet arrangements

As of 30 June 2018, we did not have any off-balance sheet arrangements.

Material Investments, Acquisitions and Disposals

For the six months ended 30 June 2018, there were no material investments, acquisitions and disposals. Other than bank loans and repurchase financing which we may consider, we do not expect to have any plan for material investment and sources of funding in the short time.

USE OF PROCEEDS FROM THE SHARE OFFER

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date with net proceeds received by the Company from the Share Offer of approximately HK$110.7 million (after deducting underwriting commissions and other estimated expenses in connection with the Share Offer). The net proceeds received from the Share Offer will be used in a manner consistent with that disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 19 March 2018.

Since the Listing Date and up to the date of this announcement, the utilization of the net proceeds and remaining balance as of 30 June 2018 as set out below:

Purposes	**Allocation**	**Amount utilized as of 30 June 2018**	**The remaining balance as of 30 June 2018**
To upgrade our Yixing plant by purchasing new sets of machinery, equipment and analytical instruments	Approximately HK$42.8 million	—	Approximately HK$42.8 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 HK$53.9 million
General business operations and working capital	Approximately HK$8.8 million	Approximately HK$8.8 million	—
To repay bank borrowings	Approximately HK$5.2 million	Approximately HK$5.2 million	—
Total	Approximately HK$110.7 million	Aporoximately HK$14.0 million	Aporoximately HK$96.7 million

EMPLOYMENT AND EMOLUMENTS

As of 30 June 2018, our Group had 73 employees. All of our employees are based in China. Our employees' remuneration has been paid in accordance with relevant laws and regulations in the PRC. Appropriate salaries and bonuses were paid with reference to the actual practices of the Company. Other corresponding benefits 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 (the "**Code Provisions**") of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") set out in Appendix 14 to The Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange as its own code of corporate governance. For the six months ended 30 June 2018, the Company has complied with the Code Provisions, except for the following deviation with considered reason as explained below:

According to provision A.2.1 of the Code Provision, 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 Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its rules governing dealings by the Directors in the listed securities of the Company. From the Listing Date to the date of this announcement, 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

From the Listing Date to the date of this announcement, the Company has not purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

There are no significant subsequent events after the Reporting Period.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2018.

AUDIT COMMITTEE

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Company, 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 auditor, KPMG, has carried out a review of the interim financial report for the six months ended 30 June 2018 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 is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jscxsh.cn). The interim report for the six months ended 30 June 2018 will be dispatched to shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 24 August 2018

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