JSCX

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2116

2019
Interim Report

CONTENTS

DEFINITIONS

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

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

DEFINITIONS

"Main Board"	Main Board of the Hong Kong Stock Exchange
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Mr. Ge"	Mr. Ge Xiaojun (葛曉軍)
"Ms. Gu"	Ms. Gu Jufang (顧菊芳)
"ppm"	parts per million, a unit of measurement commonly used to denote concentration
"Reporting Period"	the period for the six months ended 30 June 2019
"RMB"	Renminbi, the lawful currency for the time being of the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with nominal value of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"US$" or "USD"	U.S. dollars, the lawful currency of the United States of America
"Yixing"	Yixing City (宜興市), a county under the jurisdiction of Wuxi City, Jiangsu Province, PRC
"Yixing Plant"	our production facilities located in Yixing
"%"	per cent.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Ge Xiaojun *(Chairman and chief executive officer)*
Ms. Gu Jufang
Mr. Huang Lei
Mr. Jiang Caijun
Mr. Fan Yaqiang

Non-executive Directors

Mr. Gu Yao

Independent Non-executive Directors

Mr. Fan Peng
Mr. Guan Dongtao
Ms. Wu Yan

AUDIT COMMITTEE

Mr. Guan Dongtao *(Chairman)*
Mr. Fan Peng
Ms. Wu Yan

REMUNERATION COMMITTEE

Ms. Wu Yan *(Chairwoman)*
Mr. Guan Dongtao
Ms. Gu Jufang

NOMINATION COMMITTEE

Mr. Ge Xiaojun *(Chairman)*
Ms. Wu Yan
Mr. Guan Dongtao

JOINT COMPANY SECRETARIES

Mr. Tan Qian
Mr. Wong Yu Kit

AUTHORISED REPRESENTATIVES

Mr. Ge Xiaojun
Mr. Wong Yu Kit

REGISTERED ADDRESS IN THE CAYMAN ISLANDS

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN THE PRC

No. 16 West Kaixuan Road
Economic Development Zone
Yixing, Jiangsu
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai
Hong Kong

CORPORATE INFORMATION

AUDITOR
KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

LEGAL ADVISERS TO OUR COMPANY
Stephenson Harwood (as to Hong Kong law)
Jiangsu Roadxiu Law Firm (as to PRC law)

COMPLIANCE ADVISER
Orient Capital (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Conyers Trust (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

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

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

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

Wing Lung Bank Limited
45 Des Voeux Road
Central
Hong Kong

COMPANY'S WEBSITE
http://www.jscxsh.cn

STOCK CODE
2116

MANAGEMENT DISCUSSION AND ANALYSIS

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

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 to 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.

The "China V" Fuel Quality Standard* (第五階段車用汽油國家標準) promulgated by the government of the PRC has been fully implemented as from 1 January 2018. The government of the PRC will implement even more stringent fuel quality requirements under the "China VI" Fuel Quality Standard* (第六階段車用汽油國家標準) from 1 July 2020. In fact, some of the provinces and cities in eastern China have already partially implemented this new standard starting from 1 January 2019. Further, coastal cities in China such as Shenzhen and Shanghai have already or will soon ban the sale of vehicles using "China V" fuels, which will promote the production and consumption of high-quality vehicle fuels in China's.

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 the continual increase of oil consumption in China 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 has gained a great advantage over their 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 increasingly 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 a result of our efforts in customer diversification, we have become a regular supplier of several large-scale private refining enterprises, which will further extend the influence of our Group.

As of the date of this report, we owned 4 invention patents and 20 utility model patents and have been qualified as a "High and New Technology Enterprise" (高新技術企業) since 2013. For the Reporting Period, we recorded total revenue of RMB82.1 million compared to a total revenue of RMB81.2 million for the six months ended 30 June 2018.

Compliance with Key Regulatory Requirements

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

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

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:

- The first phase of the project for upgrading our production capacity of our plant in Yixing City, the PRC is under construction as at the end of June 2019, and will be completed in the second half of the 2019 year. Subsequently, we will continue to upgrade the production capacity of our plant in Yixing city, the PRC to meet the increasing demands from customers, depending on the development of the market situations;

- We have been working on a new series of products since 2018, the production of which will be initiated in the second half of the 2019 year. We will then continue to expand our product mix to create new market opportunities while continue to enhance the quality of our existing products and technologies;

- During the 2018 year and up to the Reporting Period, we have successfully become a qualified regular supplier of several large-scale private oil refineries in the PRC, and we will continue to expand our customer base to diversify our revenue sources by reaching out to non-state-owned oil refineries and potential customers overseas;

- During the 2018 year and up to the Reporting Period, we have been working on producing a key raw material. Up to 30 June 2019, the construction of its first phase production facilities is in progress. We are currently running a trial production of the key raw material, and the formal production of the key raw material will start in the second half of the 2019 year. We will then observe the market situations and increase the production capacity of the key raw material at the appropriate time; and

- During the 2018 year and up to the Reporting Period, based on the achievements of our research and development, we have applied for a number of new patents and copyrights. Up to the date of this report, certain patents and copyrights have been approved, and the remaining patent and copyright applications are still under assessment by the authorities. In the future, we will continue to enhance our research and development capabilities to develop innovative and high-quality oil refining agents and fuel additives.

FINANCIAL OVERVIEW

Revenue

Our revenue has increased by 1.1% from RMB81.2 million for the six months ended 30 June 2018 to RMB82.1 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	
	2019	2018
	RMB'000	*RMB'000*
Oil refining agents	**47,649**	51,552
Fuel additives	**34,483**	29,683
Total revenue	**82,132**	81,235

The revenue which has derived from oil refining agents has decreased from RMB51.6 million for the six months ended 30 June 2018 to RMB47.6 million for the Reporting Period mainly due to our suspension of delivery to a major Sudanese customer taking into account that the long aging period of trade receivables from the major Sudanese customer. Up to the date of this report, this Sudanese customer has already paid off all the trade receivables incurred before 1 July 2019, and we have already resumed delivery to this customer. The revenue derived from fuel additives has increased from RMB29.7 million for the six months ended 30 June 2018 to RMB34.5 million for the Reporting Period, which was mainly due to the increased demands from our customers for fuel additives to upgrade the fuel quality in response to the government policies of PRC on environment protection.

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Mainland China	**80,525**	76,888
Overseas		
Sudan	**643**	3,698
Other[(1)]	**964**	649
Total revenue	**82,132**	81,235

Note:

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

The revenue derived from the PRC market has increased from RMB76.9 million for the six months ended 30 June 2018 to RMB80.5 million for the Reporting Period, which was mainly due to the increase of demands of domestic customers. Revenue derived from the overseas market decreased from RMB4.3 million for the six months ended 30 June 2018 to RMB1.6 million for the Reporting Period, which was mainly due to our suspension of delivery to a major Sudanese customer taking into account the long aging period of trade receivables from this major Sudanese customer. Up to the date of this report, this Sudanese customer has already paid off all the trade receivables incurred before 1 July 2019, and we have already resumed delivery to this customer.

Cost of sales

Our cost of sales has decreased from RMB56.6 million for the six months ended 30 June 2018 to RMB53.9 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	
	2019	2018
	RMB'000	*RMB'000*
Oil refining agents	**33,639**	37,114
Fuel additives	**20,286**	19,504
Total cost of sales	**53,925**	56,618

The cost of sales of oil refining agents has decreased from RMB37.1 million for the six months ended 30 June 2018 to RMB33.6 million for the Reporting Period, which was mainly due to the decrease of our purchase price of one of our major raw materials. The cost of sales of fuel additives has increased from RMB19.5 million for the six months ended 30 June 2018 to RMB20.3 million for the Reporting Period, which was mainly due to the increase of the sales volume for our fuel additives.

Gross profit

For the six months ended 30 June 2018 and the Reporting Period, our gross profit amounted to RMB24.6 million and RMB28.2 million, respectively. Our gross profit margin was 30% and 34%, 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	
	2019	2018
	RMB'000	*RMB'000*
Oil refining agents	**14,010**	14,438
Fuel additives	**14,197**	10,179
Total gross profit	**28,207**	24,617

Our gross profit of oil refining agents has decreased by 3% from RMB14.4 million for the six months ended 30 June 2018 to RMB14.0 million for the Reporting Period, which was mainly due to the decrease of our sales volume of oil refining agents for the Reporting Period. Our gross profit margin of oil refining agents has increased from 28.0% to 29.4% for the same period, which was mainly due to the decrease of our purchase price of one of our major raw materials. Our gross profit of fuel additives has increased by 39% from RMB10.2 million for the six months ended 30 June 2018 to RMB14.2 million for the Reporting Period, which was mainly due to the increase of the total sales volume for our fuel additives and the risen proportion of the products with higher gross profit margin among all the fuel additives sold. Our gross profit margin of fuel additives has increased from 34.3% to 41.2% for the same period, which was mainly due to the risen proportion of the products with higher gross profit margin amongst all the fuel additives sold.

Other income

Our other income has decreased from RMB4.1 million for the six months ended 30 June 2018 to RMB1.1 million for the Reporting Period, which was mainly due to the decrease of government grants after the Listing.

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 has decreased from RMB10.7 million for the six months ended 30 June 2018 to RMB5.1 million for the Reporting Period, which was mainly due to the decrease of professional service fees in relation to the Listing.

Income tax expense

Our income tax expense for the six months ended 30 June 2018 and the Reporting Period was RMB0.7 million and RMB2.3 million, respectively. We are entitled to preferential income tax rate of 15% since we are qualified as "High and New Technology Enterprise"* (高新技術企業) in PRC. For the six months ended 30 June 2018 and the Reporting Period, our effective tax rate for the same periods were 6.5% and 13.6%, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the period

As a result of the foregoing, our profit has increased by 48% from RMB9.7 million for the six months ended 30 June 2018 to RMB14.3 million for the Reporting Period, which was mainly due to the decrease in professional service fees in relation to the Listing and the increase of gross profit margin.

Liquidity, Financial Resources and Capital structure

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

The Shares became listed on the Main Board of the Stock Exchange 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 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 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	31 December
	2019	2018
	RMB'000	*RMB'000*
Current assets		
Inventories	**24,344**	24,622
Trade and other receivables	**84,731**	96,413
Cash and cash equivalents	**119,420**	111,690
Total current assets	**228,495**	232,725
Current liabilities		
Trade and other payables	**15,777**	20,883
Contract liabilities	—	492
Income tax payable	**4,574**	5,033
Total current liabilities	**20,351**	26,408
Net current assets	**208,144**	206,317

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 RMB111.7 million as of 31 December 2018 and RMB119.4 million as of 30 June 2019. Such increase was mainly due to the decrease of our trade receivables.

Bank loan

During the entire period from 1 January 2019 to 30 June 2019, we had no outstanding bank loan (On 9 May 2018, the one-year bank loan of RMB18.0 million as of 31 December 2017 was fully repaid by our Group).

Our gearing ratio was nil as of 30 June 2018 and 2019, which was calculated by total borrowings divided by total assets.

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.

Our total trade and bill receivables decreased from RMB96.4 million as of 31 December 2018 to RMB84.7 million as of 30 June 2019 mainly due to the settlement of most of the trade receivables from a major Sudanese customer before the end of June 2019.

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 RMB20.9 million as of 31 December 2018 to RMB15.8 million as of 30 June 2019 mainly due to the decrease of the amount of other payables, especially the payables for purchase of equipment and the tax payables. All trade payables are expected to be settled within one year.

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 2019, the Group had no contingent liabilities.

Capital expenditures

For the Reporting Period, our capital expenditures were spent on upgrading production capacity and oleic acid projects. The following table sets forth our capital expenditures for the periods indicated:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Purchase of property, plant and equipment	**10,706**	626
Total capital expenditures	**10,706**	626

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, there were no material investments, acquisitions and disposals.

Charges on the Group's assets

No asset of the Group was subject to any charges as at 30 June 2019.

Exposure to Exchange Rate Fluctuations

The assets, liabilities and transactions of the Group are primarily denominated in Renminbi ("**RMB**"), Hong Kong dollars ("**HKD**"), Euros ("**EUR**") and United States dollars ("**USD**"), and is therefore exposed to exchange rate fluctuations. For the Reporting Period, the Group did not experience any material negative impacts on its operations due to the fluctuations in currency exchange rates, and no forward foreign exchange or hedging contracts were entered into by the Group during the same period. The Group performs regular reviews on its foreign exchange exposures, and will mitigate the impact of exchange rate fluctuations by entering into currency hedge arrangement when necessary.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at the date of this report, the Group expects that its internal financial resources will be sufficient to meet the necessary funding for the future plans as described in *Future Plan and Prospects* on page 8 of this report. Apart from those disclosed in this report, there was no plan authorised by the Board for other material investment or additions of capital assets as at the date of this report.

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 the 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 report, the utilization of the net proceeds and remaining balance as of 30 June 2019 are set out below:

Purposes	Allocation	Amount utilized as of 30 June 2019	The remaining balance as of 30 June 2019
To upgrade our Yixing plant by purchasing new sets of machinery, equipment and analytical instruments	Approximately HK$42.8 million	Approximately HK$7.1 million	Approximately HK$35.7 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$25.1 million	Approximately HK$28.8 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	Approximately HK$46.2 million	Approximately HK$64.5 million

* The remaining balance of the net proceeds will be used up within 30 months.

EMPLOYMENT AND EMOLUMENTS

As of 30 June 2019, our Group had 73 employees. All of our employees are based in the PRC. Our employees' remuneration has been paid in accordance with relevant laws and regulations in the PRC. Appropriate salaries and bonuses were paid with reference to the actual practices of the Company. Other corresponding benefits include pension scheme, unemployment insurance and housing allowance, etc.

OTHER INFORMATION

AUDIT COMMITTEE

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

SHARE OPTION SCHEME

The share option scheme was adopted by the Company and approved by Shareholders on 11 March 2018 (the "**Share Option Scheme**"). The purpose of which is to motivate the relevant participants to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. Eligible participants of the Share Option Scheme include any employees, any executives, any directors (including independent non-executive directors), advisors, shareholders, suppliers, customers and consultants of our Group. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on 11 March 2018 and will expire on 10 March 2028. Further details of the Share Option Scheme are set out in the section headed "Statutory and General Information – Share Option Scheme" in Appendix V to the prospectus of the Company dated 19 March 2018.

No share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption. As of 30 June 2019, the Company has no outstanding share option under the Share Option Scheme.

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

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

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY

As of 30 June 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

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

Notes:

(1) The letter "L" denotes an entity's/a person's long position in the Shares.

(2) Innovative Green Holdings, a beneficial owner of 360,000,000 Shares, is owned as to 50% and 50% by Mr. Ge and Ms. Gu, respectively, and Mr. Ge and Ms. Gu are spouses to each other and therefore each of Mr. Ge and Ms. Gu is deemed to be interested in the Shares held by Innovative Green Holdings by virtue of the SFO.

Save as disclosed above, as of 30 June 2019, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As of 30 June 2019, to the best knowledge of the Directors, the following persons (other than a Director or chief executive of the Company) or corporations who had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company and Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO which were recorded in the register required to be kept under section 336 of the SFO:

Shareholders	Nature of interest	Number of shares [1]	Approximate percentage of shareholding in the same class of Shares (%)
Innovative Green Holdings [2]	Beneficial Owner	360,000,000 (L)	75%

Notes:

(1) The letter ''L'' denotes an entity's/a person's long position in the Shares.

(2) Innovative Green Holdings is owned as to 50% and 50% by Mr. Ge and Ms. Gu, respectively, and Mr. Ge and Ms. Gu are spouses to each other and therefore each of Mr. Ge and Ms. Gu is deem to be interested in the Shares held by Innovative Green Holdings by virtue of the SFO.

Save as disclosed above, as of 30 June 2019, our Directors were not aware of any person (other than a Director or chief executive of the Company) or corporation who had an interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company and Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which would be recorded in the register required to be kept under section 336 of the SFO.

INTERIM DIVIDEND

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

EVENTS AFTER THE REPORTING PERIOD

There are no significant subsequent events after the Reporting Period.

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 Listing Rules as its own code of corporate governance. For the Reporting Period, 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 CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ge is the chairman of the Board and the chief executive officer of the Company. The Board is of the view that vesting the roles of both chairman and chief executive officer in Mr. Ge has the benefit of providing consistent and continuous planning and execution of our Group's strategies. The Board also believes that the current arrangement is in the interest of the Company and its shareholders as a whole.

UPDATES ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, except for the following changes in the information of Independent Non-executive Director Mr. Guan Dongtao ("**Mr. Guan**"), there is no change in the information of other Directors since the date of the Board meeting approving the annual report 2018 up to the date of the Board meeting approving this report.

From December 2012 to May 2019, Mr. Guan served as the chief financial officer of Flying Technology Co., Ltd.* (展鵬科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603488). Mr. Guan resigned as the chief financial officer of Flying Technology Co., Ltd.* (展鵬科技股份有限公司) in May 2019. Mr. Guan joined Dongyin Chuangfu Technology (Shenzhen) Co., Ltd.* (東尹創富科技(深圳)有限公司) as the general manager in June 2019. Since June 2019 till present, Mr. Guan is the general manager of Dongyin Chuangfu Technology (Shenzhen) Co. Ltd.* (東尹創富科技(深圳)有限公司).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its rules governing dealings by the Directors in the listed securities of the Company. From the Listing Date to the date of this report, the Company has made specific enquiry to all Directors and all Directors have confirmed that they have fully complied with the required standards set out in the Model Code.

INDEPENDENT REVIEW REPORT

Review report to the board of directors of
Jiangsu Innovative Ecological New Materials Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 21 to 40 which comprises the consolidated statement of financial position of Jiangsu Innovative Ecological New Materials Limited (the "**Company**") as of 30 June 2019 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, Interim financial reporting.

KPMG
Certified Public Accountants

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

23 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2019 – unaudited

(Expressed in Renminbi Yuan)

		Six months ended 30 June	
	Note	**2019**	2018
		RMB'000	*RMB'000*
Revenue	3	**82,132**	81,235
Cost of sales		**(53,925)**	(56,618)
Gross profit		**28,207**	24,617
Other income		**1,077**	4,140
Sales and marketing expenses		**(3,702)**	(3,399)
General and administrative expenses		**(5,137)**	(10,704)
Research and development expenses	4(b)	**(3,862)**	(3,961)
Profit from operations		**16,583**	10,693
Finance costs	4(a)	**(31)**	(334)
Profit before taxation	4	**16,552**	10,359
Income tax	5	**(2,253)**	(671)
Profit for the period		**14,299**	9,688
Earnings per share	6		
Basic and diluted (RMB cents)		**2.98**	2.29

The notes on pages 28 to 40 form part of this interim report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi Yuan)

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Profit for the period	**14,299**	9,688
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	**348**	5,713
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside mainland China	**(221)**	(2,059)
Other comprehensive income for the period	**127**	3,654
Total comprehensive income for the period	**14,426**	13,342

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 28 to 40 form part of this interim report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2019 – unaudited
(Expressed in Renminbi Yuan)

	Note	**At 30 June 2019 RMB'000**	At 31 December 2018 RMB'000
Non-current assets			
Property, plant and equipment	7	**43,000**	33,565
Lease prepayment		—	3,404
Right-of-use assets		**3,354**	—
Deferred tax assets		**331**	1,221
		46,685	38,190
Current assets			
Inventories	8	**24,344**	24,622
Trade and other receivables	9	**84,731**	96,413
Cash and cash equivalents	10	**119,420**	111,690
		228,495	232,725
Current liabilities			
Trade and other payables	11	**15,777**	20,883
Contract liabilities		—	492
Income tax payable		**4,574**	5,033
		20,351	26,408
Net current assets		**208,144**	206,317
Total assets less current liabilities		**254,829**	244,507
NET ASSETS		**254,829**	244,507

The notes on pages 28 to 40 form part of this interim report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

at 30 June 2019 – unaudited

(Expressed in Renminbi Yuan)

	Note	**At 30 June 2019** **RMB'000**	At 31 December 2018 *RMB'000*
CAPITAL AND RESERVES			
Share capital	12	**3,873**	3,873
Reserves	12	**250,956**	240,634
TOTAL EQUITY		**254,829**	244,507

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Approved and authorised for issue by the board of directors on 23 August 2019.

	)	
Ge Xiaojun	)	
	)	Directors
Gu Jufang	)	
	)	

The notes on pages 28 to 40 form part of this interim report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi Yuan)

	Share capital RMB'000 Note 12(b)	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000 Note 12(c)	Exchange reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2018	—	—	79,938	15,333	—	12,040	107,311
Changes in equity for the six months ended 30 June 2018:							
Profit for the period	—	—	—	—	—	9,688	9,688
Other comprehensive income	—	—	—	—	3,654	—	3,654
Total comprehensive income	—	—	—	—	3,654	9,688	13,342
Capitalization issue (note 12(b))	2,913	(2,913)	—	—	—	—	—
Issue of ordinary shares by initial public offering, net of issuance cost (note 12(b))	960	107,630	—	—	—	—	108,590
Balance at 30 June 2018	**3,873**	**104,717**	**79,938**	**15,333**	**3,654**	**21,728**	**229,243**

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 28 to 40 form part of this interim report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

for the six months ended 30 June 2019 – unaudited

(Expressed in Renminbi Yuan)

	Share capital *RMB'000* *Note 12(b)*	Share premium *RMB'000*	Capital reserve *RMB'000*	PRC statutory reserve *RMB'000* *Note 12(c)*	Exchange reserve *RMB'000*	Retained earnings *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2019	3,873	104,494	79,938	17,744	5,857	32,601	244,507
Changes in equity for the six months ended 30 June 2019:							
Profit for the period	—	—	—	—	—	14,299	14,299
Other comprehensive income	—	—	—	—	127	—	127
Total comprehensive income	—	—	—	—	127	14,299	14,426
Dividends approved in respect of the previous year (note 12(a))	—	(4,104)	—	—	—	—	(4,104)
Balance at 30 June 2019	**3,873**	**100,390**	**79,938**	**17,744**	**5,984**	**46,900**	**254,829**

The notes on pages 28 to 40 form part of this interim report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2019 – unaudited

(Expressed in Renminbi Yuan)

		Six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Operating activities:			
Cash generated from operations		**24,803**	3,834
Income tax paid		**(1,822)**	(1,888)
Net cash generated from operating activities		**22,981**	1,946
Investing activities:			
Payment for the purchase of property, plant and equipment		**(12,461)**	(596)
Other cash flows arising from investing activities		**1,247**	829
Net cash (used in)/generated from investing activities		**(11,214)**	233
Financing activities:			
Proceeds from other borrowings		**3,120**	—
Repayment of bank loan and other borrowings		**(3,120)**	(18,000)
Net proceeds from issuance of shares by initial public offering, net of issuance cost		**—**	108,590
Dividends paid to equity shareholders of the Company		**(4,104)**	—
Other cash flow arising from financing activities		**(31)**	(334)
Net cash (used in)/generated from financing activities		**(4,135)**	90,256
Net increase in cash and cash equivalents		**7,632**	92,435
Cash and cash equivalents at 1 January		**111,690**	25,973
Effect of foreign exchange rates changes		**98**	289
Cash and cash equivalents at 30 June	10	**119,420**	118,697

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 28 to 40 form part of this interim report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

1 BASIS OF PRESENTATION

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

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorized for issue on 23 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 20.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the group.

Except for HKFRS 16, Leases, none of the 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.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases - incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The group has initially applied HKFRS 16 as from 1 January 2019. The group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

The Group has performed an assessment on the impact of the adoption of HKFRS 16 and concluded that no adjustment to the opening balance of equity at 1 January 2019 was recognised. Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

(a) Changes in the accounting policies *(continued)*

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment property are carried at fair value;

– right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value; and

– right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

(a) Changes in the accounting policies *(continued)*

(ii) Lessee accounting *(continued)*

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

(b) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position. To reflect the changes in presentation, the Group had made the following adjustment at 1 January 2019, as a result of the adoption of HKFRS16:

– Lease prepayments amounting to RMB3,404,000 as at 1 January 2019, which represents land use rights in respect of land located in the PRC with lease term of 49.5 years is now measured under right-of-use assets.

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	
	2019	2018
	RMB'000	*RMB'000*
Sales of oil refining agents	**47,649**	51,552
Sales of fuel additives	**34,483**	29,683
Total	**82,132**	81,235

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, the location of the operation to which they are allocated, in the case of lease prepayment. During the period ended 30 June 2019, substantially all specified non-current assets were physically located in the People's Republic of China ("**PRC**").

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Mainland China	**80,525**	76,888
Sudan	**643**	3,698
Other countries and regions	**964**	649
Total	**82,132**	81,235

(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 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	
	2019	2018
	RMB'000	*RMB'000*
Interest on bank loan and other borrowings	**31**	334

(b) Other items

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Amortization of lease prepayment	—	50
Depreciation of right-of-use assets	**50**	—
Depreciation of property, plant and equipment	**1,263**	1,276
Research and development expenses (other than depreciation)	**3,412**	3,514
Impairment losses of trade receivables (reversed)/recognised	**(62)**	63
Reversals of inventory write-down (note 8)	—	(3)
Listing expenses	—	6,637

5 INCOME TAX

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Current tax:		
Provision for current income tax for the period	**1,433**	1,689
Over-provision in respect of prior years	**(70)**	(269)
Deferred tax:		
Origination and reversal of temporary differences	**890**	(749)
	2,253	671

5 INCOME TAX *(continued)*

(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.

Jiangsu Chuangxin is currently applying for an extension of such preferential income tax treatment for another three years from 2019 to 2021. The directors of the Company believe that Jiangsu Chuangxin will continue to enjoy such preferential tax rate of 15% for another three years pursuant to the current applicable PRC tax laws and regulations.

(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 2019 of RMB14,299,000 (six months ended 30 June 2018: RMB9,688,000) and 480,000,000 ordinary shares (six months ended 30 June 2018: the weighted average of 422,983,425 ordinary shares) in issue during the period.

There were no dilutive potential ordinary shares for the six months ended 30 June 2019 and 2018, 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 2019, acquisitions of property, plant and equipment amounted to RMB10,706,000 (six months ended 30 June 2018: RMB626,000). Items of property, plant and equipment with a net book value of RMB8,000 were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB50,000), resulting in a loss on disposal of RMB3,000 (six months ended 30 June 2018: Nil).

8 INVENTORIES

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

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Raw materials	**19,472**	19,280
Work in progress	**1,924**	737
Finished goods	**2,093**	4,061
Consignment goods	**855**	544
	24,344	24,622

(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	
	2019 *RMB'000*	2018 *RMB'000*
Carrying amount of inventories sold	**53,925**	56,621
Reversal of write-down of inventories	—	(3)
Cost of inventories directly recognised as research and development expenses	**2,149**	2,632
	56,074	59,250

9 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 2019	At 31 December 2018
	RMB'000	*RMB'000*
Within 3 months	**48,232**	65,485
After 3 months but within 6 months	**11,987**	5,323
After 6 months but within 1 year	**5,495**	4,673
After 1 year but within 2 years	**1,716**	6,221
Trade receivables, net of loss allowance	**67,430**	81,702
Bills receivable (note (a))	**6,742**	7,495
Other receivables	**6,874**	5,530
Financial assets measured at amortised cost	**81,046**	94,727
Deposits and prepayments	**3,685**	1,686
Trade and other receivables, net	**84,731**	96,413

All of the trade and other receivables, including deposits and prepayments, are expected to be recovered or recognised as expense within 1 year.

(a) Bills receivable

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

During the six months ended 30 June 2019, the Group endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a fully recourse basis. The Group had derecognised these bills receivable and the payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the end of reporting period. In the opinion of the directors, the Group had transferred substantially all the risks and rewards of ownership of these bills to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 30 June 2019, 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 RMB2,050,000 (31 December 2018: RMB200,000).

10 CASH AND CASH EQUIVALENTS

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
Cash and cash equivalents in the condensed consolidated cash flow statement	**119,420**	111,690

11 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 2019	At 31 December 2018
	RMB'000	*RMB'000*
Within 3 months	**3,921**	5,202
After 3 months but within 6 months	**716**	106
After 6 months but within 1 year	—	53
Over 1 year but within 2 years	—	10
Over 2 years but within 3 years	**2**	2
Total trade payables	**4,639**	5,373
Other payables and accruals	**11,138**	15,510
Trade and other payables	**15,777**	20,883

All trade payables are expected to be settled within 1 year.

12 CAPITAL AND RESERVES

(a) Dividends

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

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK$0.01 per share (six months ended 30 June 2018: Nil)	**4,104**	—

(b) Share capital

(i) Ordinary shares

	Par value	**No. of shares**	**HK$**
	HK$	*'000*	*'000*
Ordinary shares, issued and fully paid			
At 1 January 2018	0.01	—*	—*
Arising from the reorganisation			
Capitalization issue (note(ii))	0.01	360,000	3,600
Initial public offering (note(iii))	0.01	120,000	1,200
At 31 December 2018, 1 January 2019, and 30 June 2019	0.01	480,000	4,800
RMB equivalent ('000)			3,873

* The balance represented amount less than 1,000.

12 CAPITAL AND RESERVES *(continued)*

(b) Share capital *(continued)*

(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 for the six months ended 30 June 2018, respectively.

(c) PRC statutory reserve

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 reserve 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.

13 COMMITMENTS

Capital commitments outstanding at 30 June 2019 not provided for in the interim financial report:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Contracted for	**2,262**	—
Authorised but not contracted for	—	—
	2,262	—

14 RELATED PARTY TRANSACTIONS

As at 30 June 2019, the Group had balances with related parties of Nil (31 December 2018: Nil). During the six months ended 30 June 2019, the Group did not have material related party transactions (six months ended 30 June 2018: Nil).

(a) Directors and key management personnel remuneration

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Short-term employee benefits	**798**	694
Post-employee benefits	**21**	20
	819	714