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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2116

INTERIM REPORT 2023

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DEFINITIONS

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

“AGM”	the annual general meeting of the Company held at No. 16 West Kaixuan Road, Economic Development Zone, Yixing, Jiangsu Province, the PRC at 3:00 p.m. on Thursday, 25 May 2023
“Board” or “Board of Directors”	the board of directors of the Company
“China”, “Mainland China” or “PRC”	the People’s Republic of China, but for the purpose of this interim report and for geographical reference only and except where the context requires, references in this interim report to “China” and “PRC” do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Company”	Jiangsu Innovative Ecological New Materials Limited (江蘇創新環保新材料有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 6 July 2017, the Shares of which are listed on the Main Board (stock code: 2116)
“Director(s)”	the director(s) of the Company
“Euro”	Euro, the lawful currency of the member states of European Union
“Group”, “we”, “us” or “our”	the Company and its subsidiaries
“HKAS”	Hong Kong Accounting Standards
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Innovative Green Holdings”	Innovative Green Holdings Limited, incorporated in British Virgin Islands, which is 100% owned by Ms. Gu, and is directly interested in approximately 75% of the issued Shares
“Listing”	the listing of the Shares on the Main Board on 28 March 2018

DEFINITIONS

“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 the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	main board of the Hong Kong Stock Exchange
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Mr. Ge”	Mr. Ge Xiaojun (葛曉軍), the Chairman, an Executive Director, the chief executive officer of the Company and Ms. Gu’s spouse
“Ms. Gu”	Ms. Gu Jufang (顧菊芳), an Executive Director, our controlling shareholder and Mr. Ge’s spouse
“Prospectus”	the prospectus of the Company dated 19 March 2018 in connection with the public offering in Hong Kong
“Reporting Period”	the period for the six months ended 30 June 2023
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“US\$” or “USD”	U.S. dollars, the lawful currency of the United States of America
“Yixing”	Yixing City (宜興市), a county under the jurisdiction of Wuxi City, Jiangsu Province, PRC
“Yixing Plant”	our production facilities located in Yixing
“%”	per cent.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Ms. Gu Jufang

Mr. Huang Lei

Mr. Jiang Caijun

Mr. Fan Yaqiang

Non-executive Director

Mr. Gu Yao

Independent Non-executive Directors

Mr. Fan Peng

Mr. Guan Dongtao

Ms. Wu Yan

AUDIT COMMITTEE

Mr. Guan Dongtao (*Chairman*)

Mr. Fan Peng

Ms. Wu Yan

REMUNERATION COMMITTEE

Ms. Wu Yan (*Chairwoman*)

Mr. Guan Dongtao

Ms. Gu Jufang

NOMINATION COMMITTEE

Mr. Ge Xiaojun (*Chairman*)

Ms. Wu Yan

Mr. Guan Dongtao

JOINT COMPANY SECRETARIES

Mr. Tan Qian

Ms. Yu Anne

AUTHORISED REPRESENTATIVES

Mr. Ge Xiaojun

Ms. Yu Anne

REGISTERED ADDRESS IN THE CAYMAN ISLANDS

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN THE PRC

No. 16 West Kaixuan Road

Economic Development Zone

Yixing, Jiangsu PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor

Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai

Hong Kong

CORPORATE INFORMATION

AUDITORS

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

LEGAL ADVISERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

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

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

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

COMPANY'S WEBSITE

<http://www.jsctxsh.cn>

STOCK CODE

2116

MANAGEMENT DISCUSSION AND ANALYSIS

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

INDUSTRY OVERVIEW

As a number of new large-scale refining-chemical integrated projects have been established and put into operation in the PRC in recent years, the total oil refining capacity of the PRC has reached 920 million tons per year by the end of 2022. Therefore, for the first time, the PRC has surpassed the United States of America and become the world's largest oil refining country.

According to the Announcement on Matters Relating to the Implementation of the National VI Emission Standard for Vehicles* (關於實施汽車國六排放標準有關事宜的公告) jointly issued by China's Ministry of Ecology and Environment, Ministry of Industry and Information Technology, etc., the Standard B of the National VI Emission Standard has been fully implemented since 1 July 2023, and a ban on the production, importation and sale of vehicles that do not comply with Standard B of the National VI Emission Standard has been initiated on the same date.

Based on the above factors, we believe that the market demands for our oil refining agents and fuel additives can still be basically maintained in the short term.

We have also noted that the expansion of the PRC's refining capacity has led to overcapacity, while the development of new energy vehicles and unfavorable economic conditions have led to insufficient market demands for fuel oils. In 2022, the capacity utilization rate of the PRC's refining industry declined and the total production of fuel oils exceeded the total demand. It is predicted that by 2025, the PRC's oil refining capacity will reach 950 million tons per year, and the actual total quantity of crude oil processed will be approximately 660 million tons per year, by which time the total gasoline production will be around 155 million tons per year while the apparent consuming demand for gasoline will be less than 140 million tons per year; the total diesel production will be around 150 million tons per year while the consumption will be about 140 million tons per year. Therefore, in the foreseeable future, the oversupply situation will continue to exist and may even be aggravated.

At the 2023 Conference for High-quality Development of the PRC's Petrochemical Industry held on 20 July 2023, some experts pointed out that the business transition of refineries to produce more chemical raw materials ("**less oils and more chemicals**") has become the inevitable development trend of the PRC's refining enterprises. Some academicians suggested that in the future, the PRC should not only lay priority on "less oils and more chemicals", but also make efforts on "less oils and more specialties (lubricants, special asphalts, etc.)" and "less oils and more materials (needle cokes, carbon fibers, etc.)". This industry trend will affect the market demand for our existing products in the long run, therefore, it is necessary for the Group to accelerate the diversification of its products and businesses.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

In recent years, we constantly strengthened our sales force, continued our efforts in customer diversification and cooperated with more international and domestic traders, which have supported the sales of our products. However, in the first half of 2023, due to the change in the procurement policy of a major customer which resulted in the cessation of sales of a foreign-brand fuel additive distributed by the Group to this customer, there was a decrease in the total sales volume of our fuel additives. In addition, the outbreak of the civil war in Sudan in April 2023 has significantly affected, and may continue to affect our export business.

As a result of the above factors, for the first half of 2023, the Group's revenue from oil refining agents slightly increased, yet our revenue from fuel additives significantly dropped, and our total revenue was approximately RMB99.9 million, representing a decrease of about 11.2% comparing with that of the same period of last year.

In the first half of 2023, thanks to the efforts of the Group's research and development team, we were granted 3 new patent rights and, at the same time, we have applied to relevant authorities for 5 more new patent rights which are now in reviewing and approving process.

In the first half of 2023, the Group made an important breakthrough in upgrading the "Work Safety Standardization" level of our Yixing Plant. On the basis of the Grade-III Work Safety Standardization, through further improvement and upgrading of our safety facilities and safety management level, our Yixing Plant passed the on-site review by the expert team in January 2023, and was granted the Grade-II Work Safety Standardization accreditation by the Department of Emergency Management of Jiangsu Province in March 2023. This indicates that the competent government authority has given higher recognition to the Group's safety compliance, safety facilities and safety management, which is beneficial to the Group's production, operation and development in the future.

To practice the corporate culture of "To lay priority on safety, waste not and keep building a green enterprise" and perfect our work in Environmental, Social and Governance ("ESG"), our Yixing Plant has improved its energy management level, passed the audits of relevant organizations and was awarded the ISO50001 Certificate of Energy Management System in June 2023. In the first half of 2023, our Yixing Plant also compiled and published its annual Social Responsibility Report for the year 2022 and submitted an application for the title of "Green Enterprise" to the relevant departments of the Jiangsu Provincial Government and is now working on the relevant improvements according to its requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

Compliance with Key Regulatory Requirements

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

Key requirements

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

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

According to the Ordinance for the Administration of Pollutant Discharge Licenses* (排污許可證管理條例), enterprises and other production operators (pollutant discharging units) who are under the administration of pollutant discharge regulations, shall apply for a pollutant discharge license in accordance with the provisions of this ordinance, otherwise, they are not allowed to discharge pollutants.

Compliance status

Aiming at better health, safety and environment performance, our Group has cut the quantity of hazardous chemicals used and is no longer required to obtain the said license following the evaluation by a professional organization and the registration with related government authority in 2020. During the Reporting Period, our Group has satisfied the conditions for exemption of obtaining the said license.

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

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

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

Future Plan and Prospects

In view of the current international and domestic situation and government policies, as well as our assessment of the future development of the situation, the Group will adopt the following strategies and plans:

- In order to improve production efficiency, better ensure product quality and one-time pass rate, and avoid safety risks caused by personnel operation errors, we have initiated the transformation to the distributed control system (DCS) which automates the control of our production process. We will cooperate closely with the relevant professional organizations to complete the transformation as soon as possible.
- To continue strengthening cost reduction and efficiency enhancement. We will further explore the potential to reduce the cost of raw and auxiliary materials by various feasible means while ensuring material quality. We will make full use of the DCS system to maintain 100% first-time pass rate in the manufacture of our products. We will implement and carry out the concept of “Waste Not” in our corporate culture, such as making the fullest use of every unit of electric power and every drop of water to reduce consumption as much as possible, optimizing inventory management to reduce fund occupancy, and doing our best in preserving and raising the value of our idle funds.
- To continue strengthening our sales force and customer diversification. We will endeavor to develop more private-owned customers and cooperate with more international and domestic traders in a wider range of products. At the same time, we will strengthen the cooperation with famous multinational chemical companies in order to sell more of their products in the PRC as a distributor and also sell our own products abroad through the collaboration with them.
- To follow the development trend of the industry closely, be fully aware of the unfavorable situation and adopt appropriate countermeasures. We will follow closely the development trend of “less oils and more chemicals, more specialties and more materials” of the oil refining industry and observe and assess its impact on the Group’s business, and add to our efforts in the diversification of our products and businesses.
- To promote and practice the corporate culture of “To lay priority on safety, waste not and keep building a green enterprise”. Through the concerted efforts of the management and all staff, we aim to obtain the title of “Green Enterprise” from the relevant government departments as soon as possible, so as to become a green enterprise in reality as well as in name, and ensure the sustainable development of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue

Our revenue has decreased by 11.2% from RMB112.4 million for the six months ended 30 June 2022 to RMB99.9 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	
	2023 RMB'000	2022 RMB'000
Oil refining agents	55,861	52,656
Fuel additives	44,034	59,791
Total revenue	99,895	112,447

The revenue derived from oil refining agents has increased slightly from RMB52.7 million for the six months ended 30 June 2022 to RMB55.9 million for the Reporting Period. The revenue derived from fuel additives has decreased from RMB59.8 million for the six months ended 30 June 2022 to RMB44.0 million for the Reporting Period, which was mainly due to the change in the procurement policy of a major customer which resulted in the cessation of sales of a foreign-brand fuel additive distributed by the Group to this customer.

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	
	2023 RMB'000	2022 RMB'000
PRC	99,783	108,164
Overseas	112	4,283
Total revenue	99,895	112,447

The revenue derived from the PRC market has decreased from RMB108.2 million for the six months ended 30 June 2022 to RMB99.8 million for the Reporting Period, which was mainly due to the decrease in our sales of fuel additives in the PRC market. The revenue derived from the overseas market decreased from RMB4.3 million for the six months ended 30 June 2022 to RMB0.1 million for the Reporting Period, which was mainly due to the outbreak of the civil war in Sudan leading to the delay of delivery of orders from a major Sudanese customer.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

Our cost of sales has decreased from RMB90.2 million for the six months ended 30 June 2022 to RMB74.6 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	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Oil refining agents	42,466	38,600
Fuel additives	32,122	51,590
Total cost of sales	74,588	90,190

The cost of sales of oil refining agents has increased from RMB38.6 million for the six months ended 30 June 2022 to RMB42.5 million for the Reporting Period, which was mainly due to the increase in the sales volume of our oil refining agents and the cost rise of some raw materials for our oil refining agents. The cost of sales of fuel additives has decreased from RMB51.6 million for the six months ended 30 June 2022 to RMB32.1 million for the Reporting Period, which was mainly due to the decrease in the sales volume for our fuel additives and the drop of the purchase price of some major raw materials for our fuel additives.

Gross profit

For the six months ended 30 June 2022 and 2023, our gross profit amounted to RMB22.3 million and RMB25.3 million, respectively. Our gross profit margin was 19.8% and 25.3%, 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	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Oil refining agents	13,395	14,056
Fuel additives	11,912	8,201
Total gross profit	25,307	22,257

MANAGEMENT DISCUSSION AND ANALYSIS

Our gross profit of oil refining agents has decreased from RMB14.1 million for the six months ended 30 June 2022 to RMB13.4 million for the Reporting Period, which was mainly due to the increase in the total cost of sales for our oil refining agents. Our gross profit margin of oil refining agents has decreased from 26.7% to 24.0% for the same periods, which was mainly due to the cost rise of some raw materials for our oil refining agents. Our gross profit of fuel additives has increased from RMB8.2 million for the six months ended 30 June 2022 to RMB11.9 million for the Reporting Period, which was mainly due to the rise of the average selling price of our fuel additives and the drop of their total cost of sales. Our gross profit margin of fuel additives has increased from 13.7% to 27.1% for the same periods, which was mainly due to rise of the average selling price of our fuel additives and the drop of the purchase price of some major raw materials for our fuel additives.

Other income

Our other income has increased from RMB2.2 million for the six months ended 30 June 2022 to RMB2.6 million for the Reporting Period, which was mainly due to the increase in interest income from bank deposits.

Income tax expense

Our income tax expense for the six months ended 30 June 2022 and 2023 was RMB1.0 million and RMB2.4 million, respectively. The increase in income tax was mainly due to provision for withholding tax on dividends available for distribution for this Reporting Period.

For the six months ended 30 June 2022 and 2023, our effective tax rate for the same periods were 10.7% and 18.1%, respectively.

Profit for the period

Our profit has increased by 26.6% from RMB8.6 million for the six months ended 30 June 2022 to RMB10.9 million for the Reporting Period, which was mainly due to the increase of our total gross profit.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, Financial Resources and Capital structure

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

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

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

Selected items of the consolidated statement of financial position

Cash and cash equivalents

Cash and cash equivalents primarily consist of our cash at banks and on hand. We had cash and cash equivalents of RMB146.5 million as of 31 December 2022 and RMB163.6 million as of 30 June 2023, representing an increase of 11.7%.

Trade and other receivables

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

Our total trade and other receivables decreased from RMB119.5 million as of 31 December 2022 to RMB106.7 million as of 30 June 2023, which was mainly due to the decrease of the total sales.

Credit periods and trade receivables

We set credit periods ranging from 30 to 120 days for our PRC customers, calculated from the dates that our invoices are issued. As most of our customers are affiliates of the three state-owned conglomerates, they generally have longer payment periods, which our Directors believe is due to longer internal approval processes. We employ a favorable credit policy towards our customers due to their scale and financial strength. We did not have any material bad debts during the Reporting Period.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and other payables

Our trade and other payables primarily consist of trade payables from purchases of raw materials from our suppliers, other payables and accruals. Our other payables and accruals mainly include salary payments, payments for social insurance and housing provident funds, payments for tax and payments to third-party logistics providers.

Our trade and other payables decreased from RMB28.2 million as of 31 December 2022 to RMB25.5 million as of 30 June 2023, without significant change. All trade payables are expected to be settled within one year.

Gearing Ratio

Our gearing ratio which is calculated by total borrowings divided by total assets was both nil as of 31 December 2022 and 30 June 2023 as the Group had no external borrowings as of 31 December 2022 and 30 June 2023.

Contingent liabilities, guarantees and litigation

As of 30 June 2023 and 2022, the Group had no contingent liabilities, guarantees or litigation.

Capital expenditures

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

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Purchase of property, plant and equipment	161	3,101
Total capital expenditures	161	3,101

Related party transactions

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

Connected transactions

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

MANAGEMENT DISCUSSION AND ANALYSIS

Off-balance sheet arrangements

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

Material investments, acquisitions and disposals

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

Charges on the Group's assets

No asset of the Group was subject to any charges as at 30 June 2023.

Exposure to Exchange Rate Fluctuations

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

USE OF PROCEEDS FROM THE LISTING

The Shares were listed on the main board of the Stock Exchange on the Listing Date with net proceeds received by the Company from the Listing of approximately HK\$110.7 million (after deducting underwriting commissions and other estimated expenses in connection with the Listing). The net proceeds received from the Listing will be used in a manner consistent with that disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus. Taking into account the instability in the business from Sudan due to frequent civil wars and chaos, the rising prices of the raw and auxiliary materials' prices due to the global inflation, the potential impact on our business due to the development of electric vehicles and the "Less oil and more chemicals" trend of the domestic oil refining industry as well as the international political unrest in recent years, which have affected or will probably affect our operating results, we slowed down the progress of our original plan on the use of the proceeds from Listing, in order to ensure that the intended results from the use of the proceeds can be achieved. Up to the date of this Report, we have only completed part of the investment in the projects for upgrading our Yixing plant and building production facilities for the manufacturing of an important raw material, high-purity oleic acid, which have been put into commercial production and achieved certain effects. We will follow closely with the international political and economic situation, and study and assess our industry, market and business development trend, and will continue to invest the proceeds in the following projects at the right time, so as to finally reach the desired production capacity.

MANAGEMENT DISCUSSION AND ANALYSIS

Since the Listing Date and up to 30 June 2023, the utilization of the net proceeds and remaining balance (approximately HK\$55.5 million) are set out below:

Purposes	Allocation on a pro-rata basis	Amount utilized as of 30 June 2023	The remaining balance as of 30 June 2023
To upgrade our Yixing Plant by purchasing new sets of machinery, equipment and analytical instruments	Approximately HK\$42.8 million (approximately 39%)	Approximately HK\$15.6 million	Approximately HK\$27.2 million
To build production facilities for the manufacturing of a lower-cost raw material substitute, high-purity oleic acid, for the production of lubricity improvers	Approximately HK\$53.9 million (approximately 49%)	Approximately HK\$25.6 million	Approximately HK\$28.3 million
General business operations and working capital	Approximately HK\$8.8 million (approximately 8%)	Approximately HK\$8.8 million	–
To repay bank borrowings	Approximately HK\$5.2 million (approximately 4%)	Approximately HK\$5.2 million	–
Total	Approximately HK\$110.7 million (approximately 100%)	Approximately HK\$55.2 million	Approximately HK\$55.5 million

* The remaining balance of the net proceeds is expected to be used up in 24 months from 30 June 2023.

EMPLOYMENT AND EMOLUMENTS

As of 30 June 2023, our Group had 59 employees. All of our employees are based in the PRC. Our employees' remuneration has been paid in accordance with relevant laws and regulations in the PRC. Appropriate salaries and bonuses were paid with reference to the actual practices of the Company. Other corresponding benefits include pension scheme, unemployment insurance and housing allowance, etc.

OTHER INFORMATION

AUDIT COMMITTEE

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

SHARE OPTION SCHEME

The share option scheme was adopted by the Company and approved by Shareholders of the Company at the general meeting held on 11 March 2018 (the "**Share Option Scheme**"). The purpose of the Share Option Scheme is to motivate the relevant participants to optimize their future contributions to our Group, to reward them for their past contributions, and to attract and retain or otherwise maintain ongoing relationships with such participants who are significant to and whose contributions are or will be beneficial to the performance, growth or success of the Group.

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

According to this Share Option Scheme, the maximum number of Shares issued and to be issued upon exercise of the Options granted to any one eligible person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of our Shares in issue from time to time.

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

No share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption. As of 30 June 2023, the Company has no outstanding share option under the Share Option Scheme.

Further details of the Share Option Scheme are set out in the section headed "Statutory and General Information – Share Option Scheme" in Appendix V to the Prospectus.

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

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

OTHER INFORMATION

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

As of 30 June 2023, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

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

Notes:

- (1) The letter "L" denotes an entity's/a person's long position in the Shares. The calculation is based on the total number of 480,000,000 Shares in issue.
- (2) Innovative Green Holdings, a beneficial owner of 360,000,000 Shares, is 100% owned by Ms. Gu. Mr. Ge and Ms. Gu are spouses to each other, 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 2023, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

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

As of 30 June 2023, to the best knowledge of the Directors, the following persons (other than a Director or chief executive of the Company) or corporations who had an interest or short position in the Shares or underlying Shares which fall to be disclosed to the Company and Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Nature of interest	Number of shares ⁽¹⁾	Approximate percentage of shareholding in the same class of Shares (%) ⁽¹⁾
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. The calculation is based on the total number of 480,000,000 shares in issue.
- (2) Innovative Green Holdings is 100% owned by Ms. Gu. Mr. Ge and Ms. Gu are spouses to each other, 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 2023, our Directors were not aware of any person (other than a Director or chief executive of the Company) or corporation who had an interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company and Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

INTERIM DIVIDEND

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

EVENTS AFTER THE REPORTING PERIOD

There are no significant subsequent events after the Reporting Period.

OTHER INFORMATION

CORPORATE GOVERNANCE

Our Group is committed to maintaining high standards of corporate governance to protect the interest of our shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules as its own code of corporate governance. During the Reporting Period, the Company has complied with the CG Code except for the following deviation from provision C.2.1 of the CG Code which is explained below:

According to provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ge is the chairman of the Board and the chief executive officer of the Company. The Board is of the view that vesting the roles of both chairman and chief executive officer in Mr. Ge has the benefit of providing consistent and continuous planning and execution of our Group's strategies. The Board also believes that the current arrangement is in the interest of the Company and its shareholders as a whole.

Effective from 1 January, 2022, the Listing Rules have been amended, which requires, among others, listed issuers to adopt a uniform set of 14 "Core Standards" for shareholder protections for issuers set out in Appendix 3 to the Listing Rules, therefore, the Board proposed at the AGM to make certain amendments to the then existing memorandum and articles of association of the Company to (i) conform to the said Core Standards for shareholder protections; (ii) to enable the Company to have general meetings to be held in physical form, hybrid form or electronic form; and (iii) to incorporate certain housekeeping changes. The proposed amendments was approved by a special resolution of the shareholders at the AGM, and on the same day, the new memorandum and articles of association of the Company was published on the websites of the Stock Exchange and the Company.

UPDATES ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, there is no change in the information of Directors since the date of the Board meeting approving the annual report of 2022 and up to the date of the Board meeting approving this interim report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its rules governing dealings by the Directors in the listed securities of the Company. During the Reporting Period, having made specific enquiry to each Director, all Directors have confirmed that they have fully complied with the required standards set out in the Model Code.

INDEPENDENT REVIEW REPORT



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

INTRODUCTION

We have reviewed the interim financial report set out on pages 22 to 38 which comprises the consolidated statement of financial position of Jiangsu Innovative Ecological New Materials Limited (the “**Company**”) as of 30 June 2023 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 2023 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

28 August 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2023 – unaudited

(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Revenue	3	99,895	112,447
Cost of sales		(74,588)	(90,190)
Gross profit		25,307	22,257
Other income		2,639	2,187
Sales and marketing expenses		(4,586)	(5,411)
General and administrative expenses		(5,452)	(4,455)
Research and development expenses	4(b)	(4,610)	(4,959)
Profit from operations		13,298	9,619
Finance costs	4(a)	(13)	–
Profit before taxation	4	13,285	9,619
Income tax	5	(2,407)	(1,029)
Profit for the period		10,878	8,590
Earnings per share	6		
Basic and diluted (RMB cents)		2.27	1.79

The notes on pages 29 to 38 form part of this interim report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2023 – unaudited

(Expressed in Renminbi Yuan)

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Profit for the period	10,878	8,590
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	2,892	4,051
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside mainland China	1,926	(2,372)
Other comprehensive income for the period	4,818	1,679
Total comprehensive income for the period	15,696	10,269

The notes on pages 29 to 38 form part of this interim report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2023

(Expressed in Renminbi Yuan)

	Note	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	7	35,445	37,993
Right-of-use assets	8	2,954	3,004
Deferred tax assets		–	543
		38,399	41,540
Current assets			
Inventories	9	36,906	33,544
Trade and other receivables	10	106,687	119,457
Prepayments		1,956	6,454
Cash and cash equivalents	11	163,580	146,484
		309,129	305,939
Current liabilities			
Trade and other payables	12	25,543	28,172
Contract liabilities		264	–
Income tax payable		3,883	5,460
		29,690	33,632
Net current assets		279,439	272,307
Total assets less current liabilities		317,838	313,847
Non-current liabilities			
Deferred tax liabilities		5,886	13,368
		5,886	13,368
NET ASSETS		311,952	300,479

The notes on pages 29 to 38 form part of this interim report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

at 30 June 2023
(Expressed in Renminbi Yuan)

	<i>Note</i>	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
CAPITAL AND RESERVES			
Share capital		3,873	3,873
Reserves	<i>13</i>	308,079	296,606
TOTAL EQUITY		311,952	300,479

Approved and authorised for issue by the board of directors on 28 August 2023.

Ge Xiaojun)
Ge Xiaojun)
Gu Jufang) Directors
Gu Jufang)

The notes on pages 29 to 38 form part of this interim report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2023 – unaudited

(Expressed in Renminbi Yuan)

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

The notes on pages 29 to 38 form part of this interim report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

for the six months ended 30 June 2023 – unaudited

(Expressed in Renminbi Yuan)

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	PRC statutory reserve <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total equity <i>RMB'000</i>
Balance at 1 January 2023	3,873	88,160	79,938	26,707	6,049	95,752	300,479
Changes in equity for the six months ended 30 June 2023:							
Profit for the period	-	-	-	-	-	10,878	10,878
Other comprehensive income	-	-	-	-	4,818	-	4,818
Total comprehensive income	-	-	-	-	4,818	10,878	15,696
Dividends approved in respect of the previous year (note 13(a))	-	(4,223)	-	-	-	-	(4,223)
Balance at 30 June 2023	3,873	83,937	79,938	26,707	10,867	106,630	311,952

The notes on pages 29 to 38 form part of this interim report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2023 – unaudited

(Expressed in Renminbi Yuan)

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Operating activities:		
Cash generated from/(used in) operations	27,269	(3,445)
Income tax paid	(10,922)	(300)
Net cash generated from/(used in) operating activities	16,347	(3,745)
Investing activities:		
Payment for the purchase of property, plant and equipment	(183)	(3,262)
Proceeds from disposal of property, plant and equipment	3	3
Payment for investments in wealth management products	(66,000)	–
Proceeds from investments in wealth management products	66,155	–
Other cash flows arising from investing activities	1,930	1,275
Net cash generated from/(used in) investing activities	1,905	(1,984)
Financing activities:		
Proceeds from other borrowings	4,740	–
Repayment of other borrowings	(4,740)	–
Interest paid	(13)	–
Dividends paid to equity shareholders of the Company	(4,223)	(3,874)
Net cash used in financing activities	(4,236)	(3,874)
Net increase/(decrease) in cash and cash equivalents	14,016	(9,603)
Cash and cash equivalents at 1 January	146,484	152,059
Effect of foreign exchange rates changes	3,080	1,805
Cash and cash equivalents at 30 June	163,580	144,261

The notes on pages 29 to 38 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 Stock Exchange, 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 28 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following new and amended 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 17, Insurance contracts
- Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates
- Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to HKAS 12, Income taxes: International tax reform – Pillar Two model rules

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE

(a) Disaggregation of revenue

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

Revenue from contracts with customers within the scope of HKFRS 15

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Sales of oil refining agents	55,861	52,656
Sales of fuel additives	44,034	59,791
Total	99,895	112,447

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

3 REVENUE (continued)

(a) Disaggregation of revenue (continued)

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

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of revenue is based on the customers' location. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, and the location of the operation to which they are allocated, in the case of right-of-use assets. During the six months ended 30 June 2023, substantially all specified non-current assets were physically located in the People's Republic of China ("PRC").

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Mainland China	99,783	108,164
Sudan	–	4,283
Other countries and regions	112	–
Total	99,895	112,447

(b) Segment reporting

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

4 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Interest on other borrowings	13	–

(b) Other items

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Depreciation of right-of-use assets	50	50
Depreciation of property, plant and equipment	2,687	2,587
Research and development expenses (other than depreciation)	4,008	4,365
Impairment losses of trade receivables recognized/(reversed)	60	(354)
Inventories write-down (note 9)	121	187

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

5 INCOME TAX

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

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Current tax:		
Provision for current income tax for the period	9,674	1,094
Over-provision in respect of prior years	(329)	(23)
	9,345	1,071
Deferred tax:		
Origination and reversal of temporary differences	(6,938)	(42)
	2,407	1,029

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) The Company's subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at 16.5% of the estimated assessable profits. Payments of dividends by Hong Kong companies are not subject to any withholding tax.
- (iii) The Company's subsidiary, Jiangsu Chuangxin Petrochemical Co., Ltd. ("**Jiangsu Chuangxin**") is subject to the PRC corporate income tax rate of 25%. According to the PRC Corporate Income Tax Law and its relevant regulations, entities that are qualified as High and New Technology Enterprise under the tax law are entitled to a preferential income tax rate of 15%. Jiangsu Chuangxin renewed the qualification of High and New Technology Enterprise on 2 December 2020 with an effective period of three years from 2020 to 2022.

Jiangsu Chuangxin is currently applying for an extension of such preferential income tax treatment for another three years from 2023 to 2025. 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

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 2023 of RMB10,878,000 (six months ended 30 June 2022: RMB8,590,000) and 480,000,000 ordinary shares (six months ended 30 June 2022: 480,000,000 ordinary shares) in issue during the period.

There were no dilutive potential ordinary shares for the six months ended 30 June 2023 and 2022, 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 2023, acquisitions of property, plant and equipment amounted to RMB161,000 (six months ended 30 June 2022: RMB3,101,000). Items of property, plant and equipment with a net book value of RMB22,000 were disposed of during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB6,000), resulting in a loss on disposal of RMB19,000 (six months ended 30 June 2022: RMB3,000).

8 RIGHT-OF-USE ASSETS

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

9 INVENTORIES

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

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Raw materials	22,967	23,537
Work in progress	7,880	4,493
Finished goods	5,451	2,024
Consignment goods	608	3,490
	36,906	33,544

(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	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Carrying amount of inventories sold	74,467	90,003
Write-down of inventories	121	187
Cost of inventories directly recognised as research and development expenses	3,093	3,402
	77,681	93,592

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

10 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Within 3 months	61,962	97,705
After 3 months but within 6 months	14,371	8,961
After 6 months but within 1 year	9,463	855
After 1 year but within 2 years	668	–
Trade receivables, net of loss allowance	86,464	107,521
Bills receivable (note (a))	16,459	9,230
Other receivables	3,764	2,706
Financial assets measured at amortised cost	106,687	119,457
Trade and other receivables, net	106,687	119,457

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

(a) Bills receivable

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

As at 30 June 2023, 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 Nil (31 December 2022: RMB1,618,500).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

11 CASH AND CASH EQUIVALENTS

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Cash and cash equivalents in the condensed consolidated cash flow statement	163,580	146,484

12 TRADE AND OTHER PAYABLES

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

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Within 3 months	12,237	10,656
Over 3 months but within 6 months	285	703
Over 6 months but within 1 year	57	56
Total trade payables	12,579	11,415
Other payables and accruals	12,964	16,757
Trade and other payables	25,543	28,172

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

13 CAPITAL AND RESERVES

(a) Dividends

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

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

13 CAPITAL AND RESERVES (continued)

(a) Dividends (continued)

(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	
	2023 RMB'000	2022 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK\$0.01 per ordinary share (six months ended 30 June 2022: HK\$0.01 per ordinary share)	4,223	3,874

14 MATERIAL RELATED PARTY TRANSACTIONS

As at 30 June 2023, the Group had no balances with related parties (31 December 2022: Nil). During the six months ended 30 June 2023, the Group did not have material related party transactions (six months ended 30 June 2022: Nil).

(a) Directors and key management personnel remuneration

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

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Short-term employee benefits	711	816
Post-employee benefits	26	21
	737	837