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Jiangsu Innovative Ecological New Materials Limited

江蘇創新環保新材料有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2116)

REVISION OF THE EXPECTED TIME FOR COMPLETING THE UTILIZATION OF THE NET PROCEEDS

References are made to the section headed “Future Plans and Use of Proceeds” in the prospectus (the “**Prospectus**”) of Jiangsu Innovative Ecological New Materials Limited (the “**Company**”) dated 19 March 2018 and the related chapters in all the published interim and annual reports of the Company and its subsidiaries (the “**Group**”, “**we**”, “**us**” or “**our**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Prospectus.

ORIGINALLY PLANNED TIMELINE FOR THE USE OF THE NET PROCEEDS

The net proceeds (the “**Net Proceeds**”) received by the Company from the Share Offer was approximately HK\$110.7 million after deducting underwriting commissions and other estimated expenses in connection with the Share Offer. As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Company intended to use the Net Proceeds as follows:

- (1) Approximately HK\$42.8 million of the Net Proceeds, was intended to be used to upgrade our Yixing Plant by purchasing new sets of machinery, equipment and analytical instruments, thereby expanding our production capacity, as well as meeting evermore stringent mandatory emissions regulations. The upgraded Yixing Plant was expected to commence commercial production in the first quarter of 2019.
- (2) Approximately HK\$53.9 million of the Net Proceeds, was intended to be used to build production facilities for the manufacturing of a lower-cost raw material substitute, high-purity oleic acid, for the production of lubricity improvers, which we needed to import from overseas. The high-purity oleic acid production facilities were expected to commence commercial production in the fourth quarter of 2019.
- (3) Approximately HK\$8.8 million of the Net Proceeds, was intended for general business operations and working capital. This HK\$8.8 million of the Net Proceeds was used in 2018.
- (4) Approximately HK\$5.2 million of the Net Proceeds, was intended for repaying our bank borrowings maturing on 23 August 2018. This HK\$5.2 million of the Net Proceeds was used before or upon the maturity of the bank borrowings.

REVISED TIMELINE FOR THE USE OF THE NET PROCEEDS

There has been no change in the intended use of the Net Proceeds since the Listing Date, yet due to the reasons set out in the paragraph headed “Reasons for the Revision of the Expected Time for Completing the Utilization of the Net Proceeds” in this announcement, the board of directors of the Company (the “**Board**”) has resolved to slow down the utilization of the Net Proceeds, as a result, we have only completed part of the investment in the projects for upgrading our Yixing plant and building production facilities for the manufacturing of an important raw material, high-purity oleic acid, which have been put into commercial

production and achieved certain effects. The following table sets out the Net Proceeds utilized and the remaining balance (the “**Unutilised Net Proceeds**” of approximately HK\$52.1 million in total) as at the date of this announcement and the revised timeline for completing the utilisation of the Unutilised Net Proceeds:

Purposes	Allocation on pro-rata basis	Amount actually used from the Listing Date to the date of this announcement	Balance of amount unutilised as at the date of this announcement	Revised expected timeline for full utilisation of the Unutilised Net Proceeds
To upgrade our Yixing plant by purchasing new sets of machinery, equipment and analytical instruments	Approximately HK\$42.8 million (approximately 39%)	Approximately HK\$19.0 million	Approximately HK\$23.8 million	30 June 2028
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	30 June 2028
General business operations and working capital	Approximately HK\$8.8 million (approximately 8%)	Approximately HK\$8.8 million	–	–
To repay bank borrowings	Approximately HK\$5.2 million (approximately 4%)	Approximately HK\$5.2 million	–	–
Total	Approximately HK\$110.7 million (100%)	Approximately HK\$58.6 million	Approximately HK\$52.1 million	Approximately HK\$52.1 million expected to be fully utilised by 30 June 2028

REASONS FOR THE REVISION OF THE EXPECTED TIME FOR COMPLETING THE UTILIZATION OF THE NET PROCEEDS

Taking into account the following factors which have affected and will probably continue to affect our operating results, for the best interest of the Company and its shareholders, we have slowed down the progress of our original plan on the use of the Net Proceeds, in order to mitigate the risk of excess production capacity and ensure that the intended results from the use of the Net Proceeds can be achieved, as a result, 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.

1. The impact of a major chemical plant accident towards the Company's expansion

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

2. The instability and suspension in the business from Sudan

Prior to the Listing of the Company in 2018, the Sudan business had contributed a considerable part of the revenue and profits of the Company. This was attributed to our ability to sell our products at higher prices and secure higher profit margins compared to the domestic market. For the years ended 31 December 2014, 2015, 2016 and 2017, our revenue generated from our Sudan business was RMB17.0 million, RMB17.3 million, RMB29.6 million and RMB21.1 million, respectively, representing 16.2%, 15.1%, 21.8% and 11.3% of our total revenue. For the year ended 31 December 2018, our revenue generated from our Sudan business decreased sharply to RMB4.9 million due to the downtime of the main processing units for the overhaul of our largest customer in Sudan. For the year ended 31 December 2019, our revenue generated from our Sudan business increased to RMB10.5 million as a result of the completion of the overhaul carried out by our largest customer in Sudan. For the years ended 31 December 2020, 2021 and 2022, our revenue generated from our Sudan business was RMB9.6 million, RMB6.6 million and RMB18.0 million, respectively. In general, the sales level and revenue generated from our Sudan business have not returned to the levels we saw before the Listing.

Coup d'états occurred repeatedly in Sudan in 2019 and 2021, and in April 2023, a big-scale civil war broke out in Sudan (the “**Sudanese Civil War**”), which led to the complete suspension of the operation of the Company’s Sudan customers, and as a result, we had not generated any revenue from our Sudan business since the outbreak of the Sudanese Civil War. Up to now, it remains uncertain when this civil war will end, and we foresee the possibility of a long-term suspension or even termination of our Sudan business.

In view of the frequent unrests and political uncertainty of Sudan and the current United States-Israel war with Iran, the Company has elected to adopt a prudent and conservative approach, exercising caution in the utilization of the Net Proceeds towards the expansion of our production facilities and capacity, so as to mitigate the risk of excess production capacity.

3. The development of electric vehicles

In the past decade, the PRC has been encouraging the development of the electric vehicle industry. The official implementation in April 2018 of the Parallel Management Measures for Average Fuel Consumption of Passenger Vehicles and New Energy Vehicle Credits (《乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法》) issued by the Ministry of Industry and Information Technology has established a market-oriented long-term incentive mechanism by mandating that vehicle manufacturers either produce new energy vehicles or purchase credits, which fundamentally caused Chinese vehicle manufacturers to increase their investment in new energy vehicle research and development. In October 2020, the State Council of the PRC issued a Development Plan for the New Energy Vehicle Industry (2021-2035) (《新能源汽車產業發展規劃(2021-2035年)》), which by setting series of targets for the development of the new energy vehicle industry, aims to build a green, robust, and internationally competitive auto industry in China.

With the support of favourable policies of the PRC Government, the sales of electric vehicles in the PRC have been growing fast in recent years. According to data released by the China Association of Automobile Manufacturers, during the year 2025, the domestic sales of new energy vehicles increased by 19.8% compared to the previous year and the proportion of new energy vehicles in the total domestic new vehicle sales exceeded 50% for the first time. As a result, electric vehicles have captured a substantial share of the PRC’s new vehicle market from fuel-powered vehicles in recent years.

The rapid development of the new energy vehicle industry in the PRC has impacted and will continue to impact the consumption and demand of fuel oil, thereby slowing down the growth of the market demand for oil processing agents and fuel additives, which are the Company's major products.

In view of the above-said vehicle industry situation in the PRC, the Company adopted a cautious approach by delaying its investment in expanding the current production capacity. As high-purity oleic acid is the main raw material for the production of lubricity improver, which is our most important fuel additive used in diesel fuel vehicles, the fast development of the new energy vehicle industry makes the Company take a cautious approach in building production facilities for manufacturing high-purity oleic acid, too.

4. The “Producing less fuel oil and more chemicals” trend of the domestic oil refining industry.

In October 2021, the president of China Federation of Industrial Economics proposed that the production of fuel oil should be reduced and the chemical industry structure of China should be adjusted. Since 2021, the trend of “Producing less fuel oil and more chemicals” in the domestic oil refining industry has becoming increasingly prominent in the PRC. In 2022, the Guiding Opinions on Promoting High-Quality Development of the Petrochemical and Chemical Industry during the 14th Five-Year Plan Period (《關於「十四五」推動石化化工行業高品質發展的指導意見》) was issued by the Ministry of Industry and Information Technology and the National Development and Reform Commission along with four other ministries to promote refining and production practices aimed at reducing the output of refined oil products and increasing the production of chemical products to extend the petrochemical industry chain. Consequently, almost all the oil refining projects newly built in the past 5 years in the PRC are integrated refining- chemical projects (fuel oil + ethylene, polyolefin and other chemicals), and the PRC government no longer approved oil refining projects producing only fuel oils, as a result, during the past 5 years, the total output of gasoline and diesel of the PRC grew slower than before and even decreased since 2023.

These developments in the oil refining industry of the PRC have adverse impact on the market demands for our major products, oil processing agents and fuel additives, therefore, the Company has been prudent during the past years in the use of the Net Proceeds for further expanding our production capacity of oil refining agents and high-purity oleic acid as a major raw material for fuel additives. In the meantime, the Company has begun to explore the possibility of the manufacture of processing agents and additives for oil refineries to produce plastic materials like ethylene and resin. In fact, in 2023, the Company had already started the research and development of

processing agents for ethylene in collaboration with a number of universities. In 2024, our first processing agent product for ethylene production achieved good results in a customer's trial use. If the marketing of our processing agents for ethylene comes out to be successful, the Company will consider allocating part of the Unutilised Net Proceeds to expand our current facilities for the production of processing agents for ethylene. As high-purity oleic acid can be used in various industries beyond lubricity improvers, the Company will consider exploring new markets for high-purity oleic acid to adapt to the current trend of the domestic oil refining industry. At the moment, the Company requires additional time for thorough assessment and strategic decision-making.

5. The international political unrest in recent years and the start of tariff war

Over the past few years, the geopolitical landscape has evolved rapidly. The deteriorating US-China relations, the ongoing Russian-Ukraine war and the escalating Middle East conflict involving the United States, Israel and Iran have had serious implications for the oil refining industry. In 2023, a coup d'état took place in Niger, where one of our long-term foreign customers is located. Although the unrest in Niger ended after a few months with the establishment of a new government, our business in Niger has become less stable than before due to the coup d'état and the unpredictable attitude of the new Niger government toward Niger enterprises with Chinese investment and Chinese suppliers.

As the oil industry is sensitive to political stability, the Company's results of operations may be affected by the spillover effects of these geopolitical developments. Now that a tariff war between the USA and other countries, including the PRC has started since April 2025, the global geopolitical and economic environment is becoming more volatile and unpredictable.

The increasingly instable geopolitical landscape is another factor that the Company considered in delaying its utilization of the Net Proceeds, in addition, maintaining sufficient cash in our bank accounts will enable the Company to better respond to risks, challenges and opportunities possibly coming.

Although the above-said negative factors have led to the delay in the utilisation of the Net Proceeds, the Board has not considered changing the intended use of the Unutilised Net Proceeds for the following reasons:

1. As several years have passed since the above-said chemical plant accident happened in Jiangsu Province, and the development need of the local economy may require less restriction, it is anticipated that the stringent controls will be gradually relaxed in the future. This potential regulatory easing would facilitate the Company's utilization of the Unutilised Net Proceeds.
2. Despite the strong growth in the electric vehicle industry of the PRC, the Board is of the view that electric vehicles are primarily restricted to the passenger vehicle market, and fuel-powered engines will remain the natural choice for heavy-duty traffic and equipment. The Board predicts that the market shares of electric-powered traffic means and fuel traffic means will finally reach a reasonable balance.
3. European and North American countries have adjusted their policies on new energy vehicles in recent years, slowing down the pace of automotive electrification, and the US Government has issued a series of policies to support the development of its traditional fuel vehicle industry. Although the demand for fossil energy in Organisation for Economic Co-operation and Development (OECD) countries has slowed down due to the gradual popularization of electric vehicles and energy transition, oil is still indispensable in transportation, production industry and medical fields, and its status as a main energy source is unlikely to be shaken in the short term.
4. The increasing global efforts may finally lead to a peace treaty between Russia and Ukraine, and the ongoing negotiations between the PRC and United States Governments may finally terminate or limit the intensity of the tariff war.

The Board will continue to follow closely the developments of the civil war in Sudan, the international political and economic situations, and the ongoing conflict involving the United States, Israel and Iran, the advancements in the domestic and international electric vehicle markets, the development trend of the domestic oil refining industry and the possible changes in local safety regulatory sentiment, and at the same time, explore the possibility of manufacturing processing agents and additives for oil refineries to produce plastic materials like ethylene and resin and also study the possibility of developing chemical business in non-oil-refining industries, making use of our high-purity oleic acid production facilities and technologies. The Board will accelerate the investment of the remaining Unutilised Net Proceeds at the right time, so as to finally reach the desired production capacity and realise the intended results.

Should the Board find it necessary to further revise the expected timeline for completing the utilization of the Net Proceeds or to change the intended use of the Unutilised Net Proceeds, the Company will promptly disclose such information to the Shareholders for the compliance with the relevant requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited by publishing further announcement.

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

Jiangsu Province, People's Republic of China, 06 March 2026

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