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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2025

The board (the “**Board**”) of directors (the “**Directors**”) of Jiangsu Innovative Ecological New Materials Limited (the “**Company**”) is pleased to announce the audited annual results (the “**Annual Results**”) of the Company and its subsidiaries (the “**Group**”, “**we**”, “**us**” or “**our**”) for the year ended 31 December 2025 (the “**Reporting Period**”), together with comparative figures for the corresponding period in 2024. The Board and the audit committee of the Company (the “**Audit Committee**”) have reviewed and confirmed the Annual Results.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*for the year ended 31 December 2025**(Expressed in Renminbi (RMB) Yuan)*

		2025	2024
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2	203,882	182,200
Cost of sales		<u>(157,755)</u>	<u>(140,946)</u>
Gross profit		46,127	41,254
Other income	3	4,009	6,002
Sales and marketing expenses		(10,521)	(9,461)
General and administrative expenses		(12,350)	(11,849)
Research and development expenses		(8,578)	(7,416)
Impairment losses reversed/(recognised) of trade receivables	4(c)	<u>1,046</u>	<u>(1,059)</u>
Profit from operations		19,733	17,471
Finance costs	4(a)	<u>–</u>	<u>(5)</u>
Profit before taxation	4	19,733	17,466
Income tax	5	<u>(4,039)</u>	<u>(3,484)</u>
Profit for the year		<u>15,694</u>	<u>13,982</u>
Earnings per share	6		
Basic and diluted (<i>RMB cents</i>)		<u>3.27</u>	<u>2.91</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

for the year ended 31 December 2025

(Expressed in Renminbi (RMB) Yuan)

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	15,694	13,982
Other comprehensive income for the year (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	(2,392)	2,166
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Chinese mainland	<u>1,425</u>	<u>(1,233)</u>
Other comprehensive income for the year	<u>(967)</u>	<u>933</u>
Total comprehensive income for the year	<u>14,727</u>	<u>14,915</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*at 31 December 2025**(Expressed in Renminbi (RMB) Yuan)*

	<i>Note</i>	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	7	38,120	38,712
Right-of-use assets		2,704	2,804
		<u>40,824</u>	<u>41,516</u>
Current assets			
Inventories		33,607	28,877
Trade and other receivables	8	75,783	104,626
Prepayments		1,002	6,103
Restricted bank deposits		2,068	250
Bank deposits with original maturity over three months		15,000	10,000
Cash and cash equivalents		114,566	85,251
		<u>242,026</u>	<u>235,107</u>
Current liabilities			
Trade and other payables	9	31,911	37,356
Income tax payable		3,530	3,545
		<u>35,441</u>	<u>40,901</u>
Net current assets		<u>206,585</u>	<u>194,206</u>
Total assets less current liabilities		<u>247,409</u>	<u>235,722</u>
Non-current liabilities			
Deferred tax liabilities		5,153	3,765
		<u>5,153</u>	<u>3,765</u>
NET ASSETS		<u>242,256</u>	<u>231,957</u>
CAPITAL AND RESERVES			
Share capital	10	3,873	3,873
Reserves	10	238,383	228,084
TOTAL EQUITY		<u>242,256</u>	<u>231,957</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi (RMB) Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“**HKFRS**”), Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”). Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new or amended HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

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

The consolidated financial statements for the year ended 31 December 2025 comprise the Company and its subsidiaries (together referred to as the “**Group**”).

(i) *Basis of measurement*

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the “**Functional Currency**”). The financial statements are presented in RMB, rounded to the nearest thousands, which is the presentation currency. The measurement basis used in the preparation of the financial statements is the historical cost basis.

(ii) Use of estimates and judgments

The preparation of financial statements in conformity with HKFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The HKICPA has issued the following new and amended HKFRS Accounting Standards that is first effective for the current accounting period of the Group:

- Amendments to HKAS 21, The effects of changes in foreign exchange rates

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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 REVENUE

(a) Disaggregation of revenue

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of oil refining agents	117,832	123,319
Sales of fuel additives	66,466	58,881
Others	19,584	–
	<u>203,882</u>	<u>182,200</u>
Total	<u>203,882</u>	<u>182,200</u>

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

For the year ended 31 December 2025, the Group's customer base is diversified and includes three (2024: two) group customers with whom transactions have exceeded 10% of the Group's revenues. In 2025 revenues from sales of oil refining agents and sales of fuel additives to each of these three group customers, including sales to entities which are known to the Group to be under common control with these group customers, amounted to approximately RMB67,955,000 (2024: RMB65,101,000), RMB49,503,000 (2024: RMB57,703,000) and RMB25,109,000, respectively.

(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 right-of-use assets. During the year ended 31 December 2025, substantially all specified non-current assets were physically located in the People's Republic of China (the "PRC").

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Chinese Mainland	202,685	180,827
Other countries and regions	1,197	1,373
	<u>203,882</u>	<u>182,200</u>
Total	<u>203,882</u>	<u>182,200</u>

(iii) *Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date*

The Group has applied the practical expedient in paragraph 121(a) of HKFRS 15 to its sales contracts for oil refining agents and fuel additives such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfied the remaining performance obligations under the contracts for sales of oil refining agents and fuel additives that had an original expected duration of one year or less.

(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.

3 OTHER INCOME

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Service income	98	45
Government grants	1,091	1,477
Net foreign exchange (gain)/loss	133	(293)
Interest income on financial assets measured at amortised cost	2,227	2,832
Realised gain from wealth management products	61	–
Scrap sales	499	1,943
Others	(100)	(2)
	<hr/>	<hr/>
Total	<u>4,009</u>	<u>6,002</u>

4 PROFIT BEFORE TAXATION

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

(a) **Finance costs**

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on other borrowings	–	5
	<hr/>	<hr/>

(b) Staff costs

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Salaries, wages and other benefits	8,481	8,224
Contributions to defined contribution retirement plans (i)	<u>418</u>	<u>414</u>
	<u>8,899</u>	<u>8,638</u>

- (i) Employees of the Group's subsidiary in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's subsidiary in the PRC contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

(c) Other items

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Cost of inventories (i)	162,942	144,526
Depreciation of property, plant and equipment	5,455	5,694
Depreciation of right-of-use assets	100	100
Impairment losses (reversed)/recognised of trade receivables	(1,046)	1,059
Auditors' remuneration		
– audit services	888	1,165
– tax services	<u>29</u>	<u>29</u>
	<u>917</u>	<u>1,194</u>

- (i) Cost of inventories includes the following amounts, which are also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Staff costs	2,121	1,771
Depreciation and amortisation	2,539	2,561

5 INCOME TAX

(a) Income tax in the consolidated statements of profit or loss represents:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Current tax:		
Provision for current income tax for the year	2,455	2,265
Under-provision in prior years	<u>196</u>	<u>91</u>
	----- 2,651	----- 2,356
Deferred tax:		
Origination and reversal of temporary differences	<u>1,388</u>	<u>1,128</u>
	<u><u>4,039</u></u>	<u><u>3,484</u></u>

(b) Reconciliation between actual income tax expense and accounting profit at applicable tax rates:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Profit before taxation	<u><u>19,733</u></u>	<u><u>17,466</u></u>
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned (i)	4,944	4,361
Tax effect of preferential tax rate (ii)	(1,973)	(1,740)
Under-provision in prior years	196	91
Tax effect of non-deductible expenses	418	345
Additional deduction for qualified research and development costs (iii)	(1,106)	(956)
Withholding tax on distributable profits (iv)	<u>1,560</u>	<u>1,383</u>
Actual income tax expense	<u><u>4,039</u></u>	<u><u>3,484</u></u>

- (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.

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.

- (ii) 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 has renewed the qualification of High and New Technology Enterprise on 6 November 2023 with an effective period of three years from 2023 to 2025, and therefore it was entitled to the preferential income tax rate of 15%.

- (iii) Under the PRC Corporate Income Tax Law and its relevant regulations, additional tax deduction is allowed for qualified research and development costs.
- (iv) According to the PRC Corporate Income Tax Law and its relevant regulations, dividends receivable by non-PRC resident enterprises from PRC resident enterprises for earnings accumulated after 1 January 2008 are subject to withholding tax at a rate of 10% unless reduced by tax treaties or agreements. During the years ended 31 December 2025 and 2024, the Group has recognised deferred tax liabilities for withholding tax of PRC entities' distributable profits at 10%.

6 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB15,694,000 (2024: RMB13,982,000) and 480,000,000 ordinary shares (2024: 480,000,000 ordinary shares) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2025	2024
Shares in issue on 1 January and 31 December	<u>480,000,000</u>	<u>480,000,000</u>
Weighted average number of ordinary shares	<u><u>480,000,000</u></u>	<u><u>480,000,000</u></u>

There were no dilutive potential ordinary shares for the years ended 31 December 2025 and 2024; therefore, diluted earnings per share are equivalent to basic earnings per share.

7 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Office and other equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:					
At 1 January 2024	36,443	41,708	3,487	9,961	91,599
Additions	<u>4,552</u>	<u>111</u>	<u>–</u>	<u>–</u>	<u>4,663</u>
At 31 December 2024 and 1 January 2025	----- 40,995	----- 41,819	----- 3,487	----- 9,961	----- 96,262
Additions	<u>4,552</u>	<u>136</u>	<u>37</u>	<u>138</u>	<u>4,863</u>
At 31 December 2025	----- 45,547	----- 41,955	----- 3,524	----- 10,099	----- 101,125
Accumulated depreciation:					
At 1 January 2024	(19,783)	(21,401)	(3,061)	(7,611)	(51,856)
Charge for the year	<u>(1,676)</u>	<u>(2,968)</u>	<u>(214)</u>	<u>(836)</u>	<u>(5,694)</u>
At 31 December 2024 and 1 January 2025	----- (21,459)	----- (24,369)	----- (3,275)	----- (8,447)	----- (57,550)
Charge for the year	<u>(1,744)</u>	<u>(2,849)</u>	<u>(98)</u>	<u>(764)</u>	<u>(5,455)</u>
At 31 December 2025	----- (23,203)	----- (27,218)	----- (3,373)	----- (9,211)	----- (63,005)
Net book value:					
At 31 December 2025	<u>22,344</u>	<u>14,737</u>	<u>151</u>	<u>888</u>	<u>38,120</u>
At 31 December 2024	<u>19,536</u>	<u>17,450</u>	<u>212</u>	<u>1,514</u>	<u>38,712</u>

8 TRADE AND OTHER RECEIVABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Trade receivables, net of loss allowance (<i>note (a)</i>)	64,555	95,973
Bills receivables (<i>note (b)</i>)	8,050	6,262
Other receivables	<u>3,178</u>	<u>2,391</u>
Trade and other receivables, net	<u>75,783</u>	<u>104,626</u>

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

(a) Ageing analysis

As at the end of each 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:

	2025	2024
	RMB'000	RMB'000
Within 3 months	58,336	88,329
After 3 months but within 6 months	3,467	3,398
After 6 months but within 1 year	2,752	1,073
After 1 year but within 2 years	–	254
After 2 years but within 3 years	–	2,919
	<hr/>	<hr/>
Trade receivables, net of loss allowance	<u>64,555</u>	<u>95,973</u>

(b) Bills receivables

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

As at 31 December 2025, the Group endorsed undue bills receivable of RMB3,928,640 (2024: RMB1,321,196) to its suppliers to settle trade payables of the same amount and derecognised these bills receivable and payables to suppliers in their entirety from Statement of financial position as the Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred.

As at 31 December 2025, 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 RMB3,928,640 (2024: RMB1,321,196).

9 TRADE AND OTHER PAYABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Trade payables (<i>note (a)</i>)	18,842	20,744
Other payables and accruals	13,069	16,612
	<u>31,911</u>	<u>37,356</u>

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

(a) An ageing analysis of trade payables, based on the invoice date, is as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Within 3 months	18,476	20,285
Over 3 months but within 6 months	226	47
Over 6 months but within 1 year	136	412
Over 1 year	4	–
	<u>18,842</u>	<u>20,744</u>

10 CAPITAL AND RESERVES

(a) Dividends

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Interim dividend declared and paid of nil per ordinary share (2024: nil per ordinary share)	–	–
Final dividend proposed after the end of the Reporting Period of HK\$ nil per ordinary share (2024: HK\$0.01 per ordinary share)	–	4,428
	<u>–</u>	<u>4,428</u>

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.01 per share(2024: HK\$0.02 per share)	<u>4,428</u>	<u>8,711</u>

(b) **Share capital**

(i) *Authorized and issued share capital*

	Par value <i>HK\$</i>	No. of shares <i>'000</i>	HK\$ <i>'000</i>
Ordinary shares, issued and fully paid At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	<u>0.01</u>	<u>480,000</u>	<u>4,800</u>
RMB equivalent ('000)			<u>3,873</u>

(c) **Share premium**

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

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

Since the full implementation of the Standard B of the PRC National VI Emission Standard on 1 July 2023, many cities in the PRC further expanded the supervision range on vehicle exhaust emissions. For example, Shanghai has stipulated that from 15 October 2025, diesel-fueled lorries with National IV Emission Standard or below shall be prohibited from running on any roads within the G1503 Ring Expressway around the city throughout the day; from January 2026, Hangzhou has extended the ban on diesel-fueled lorries with National IV Emission Standard or below from the central urban districts to the area within the Ring Expressway around the city.

On 24 February 2025, the Ministry of Ecology and Environment of the PRC revealed at a press conference that it will formulate more stringent National VII Emission Standard for light-duty and heavy-duty vehicles and strengthen the supervision of vehicle emissions, which is expected to be released in 2027 and implemented in 2029. In February 2026, the director of the Atmospheric Environment Department of the Ministry of Ecology and Environment stated at a regular press conference that the formulation of the National VII Emission Standard would be accelerated. The Beijing-Tianjin-Hebei region, the Yangtze River Delta region and the Pearl River Delta region had already started piloting the National VII Emission Standard since June 2025. The National VII Emission Standard will no longer focus solely on traditional pollutant emissions control; instead, it will shift from merely paying attention to exhaust emissions to dual control of pollutants and greenhouse gases, and will strengthen the monitoring and control of emissions in real scenarios. In terms of emission limits, this National VII Standard will be even more stringent. It is expected that the emission limits for pollutants such as nitrogen oxides (NO_x), particulate matter (PM) and ammonia (NH_3) will be significantly reduced.

In May 2024, the Ministry of Ecology and Environment and the State Administration for Market Regulation jointly issued an amendment note to the “Emission Standard of Pollutants for Petroleum Refining Industry”* (《石油煉製工業污染物排放標準》), which came into effect on 1 July 2024. This amendment note puts forward more stringent requirements for the waste gas emissions of oil refining enterprises, prompting them to increase investment in waste gas treatment.

The formulation and implementation of the above-said new regulatory measures and standards will support the long-term demands of the PRC's market for our existing products. The formulation and implementation of above-said new standards and enhanced regulatory measures, are expected to continue supporting the demands of the PRC market for the Group's existing products.

On the other hand, on 2 September 2025, seven departments including the Ministry of Industry and Information Technology of the PRC jointly issued the Work Plan for Stabilising Growth in the Petrochemical Industry (2025–2026)* 《石化化工行業穩增長工作方案(2025—2026年)》, which mandates that the petrochemical sector shall achieve an average annual growth rate of over 5% in value-added industrial output, while strictly controlling new refining capacity additions. Priority support will be given to upgrading ageing petrochemical facilities and “Less oil and more chemicals”* (“減油增化”) projects of the existing refining and chemical enterprises. Subsequently, China National Petroleum Corporation (“CNPC”) has planned to decommission certain ageing refining and chemical facilities primarily producing fuel oils such as gasoline and diesel, while accelerating its transition towards integrated refining and chemical operations.

In 2025, as electric vehicles accelerated their penetration into urban and suburban transport of the PRC, domestic refined-oil consumption was in a sluggish state, consequently, the refined-oil production declined. In February 2026, the “Press Conference on the Economic Performance of China's Petroleum and Chemical Industry in 2025” organized by the China Petroleum and Chemical Industry Federation indicated that 738 million tons of crude oil was processed in the PRC in 2025, representing a 4.1% year-on-year increase, however, refined-oil production declined by 1.4% year-on-year, meanwhile, the output of major chemicals such as ethylene and synthetic resins maintained robust growth. The same month saw the release of the “2025 Domestic and International Oil and Gas Industry Development Report” * (《2025年國內外油氣行業發展報告》) by the Economics and Technology Research Institute of CNPC, which indicated that domestic refined-oil production fell from 433 million tons in 2021 to 414 million tons in 2025, representing a 4.4% decline, while the refined-oil yield rate fell from 63% to 56%. For the same periods, the output of light oil as feedstock for chemical production increased from 126 million tons to 184 million tons, a substantial rise of 46.0%, with the yield rate rising to 25.0%.

It is expected that during the 15th Five-Year Plan* (“十五五規劃”) period (2026 to 2030) of the PRC, the PRC government will continue to control the total processing capacity of crude oil, further promote the optimization of the refining industry structure, and steadfastly advance the “Less oil and more chemicals and specialties”* (“減油增化增特”) strategy, aiming to a transition from the traditional refined-oil production towards the manufacture of raw materials for high-end chemicals and specialty materials, with a focus on achieving breakthroughs in key core technologies for high-end polyolefins, special engineering plastics, electronic chemicals and new energy materials, thereby enhancing domestic production rates. It is predicted that by 2030, the annual oil refining capacity of the PRC will be approximately 920 million tons, slightly decreasing by about 20 million tons compared to that of 2025.

The above-said policies and market situation of the PRC will have a long-term impact on the demand for some of our existing products. However, the PRC Government’s support policies for new-energy vehicles may gradually be weakened in the future. In fact, since 1 January 2026, the purchase tax of the PRC for new energy vehicles has been changed from exemption to halving. Should the government’s supportive policies for new energy vehicles continue to weaken or be cancelled, the encroachment of electric vehicles on fuel vehicles’ market share may cease and ultimately reach a point of equilibrium. At the same time, the “Less oil and more chemicals and specialties” development trend of the oil processing industry of the PRC also opens up the possibility and potential for the Group to research, develop and manufacture processing agents and additives required by refining enterprises for producing chemical materials such as ethylene, polyolefins and other high-end chemical new materials. There expects to be huge demand for related processing agents and additives from more and more production plants of ethylene, polyolefins and other chemical materials in the PRC.

From a global perspective, the oil refining capacity and the demands for refined oils in the Asia-Pacific region excluding China are still on the rise. It is predicted that in 2026, Asia will add 500,000 to 1 million barrels per day of oil refining capacity, and the total demand for refined oils in the Asia-Pacific region will increase by 200,000 barrels per day year-on-year. European and North American countries have adjusted their policies on new energy vehicles in recent years, slowing down the pace of automotive electrification. In 2025, the US Government issued a series of policies to support the development of traditional fuel vehicle industry.

According to the “2025 World Oil Outlook” report released at the 9th OPEC International Seminar in July 2025, the global oil demand will continue to rise and reach an average of 123 million barrels per day by 2050, with the main growth coming from the industrialization and urbanization of developing countries. Although the demand for fossil energy in Organization for Economic Co-operation and Development (OECD) countries has slowed down due to the gradual popularization of electric vehicles and energy transition, the report emphasizes that 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. The 30th United Nations Climate Change Conference (COP30), held in November 2025, reached a consensus that energy transition must balance energy security, but did not adopt a roadmap for the transition away from fossil fuels, thus leaving room for the continuous development of fossil energy. In November 2025, the International Energy Agency (IEA) stated that global demand for oil and gas could continue to grow until 2050. Goldman Sachs subsequently revised its forecast for global oil demand peaking, pushing the timeline from 2034 last year to 2040.

Taking into account the aforesaid circumstances and trends, we believe that our existing oil refining agents and fuel additives will still have long-term and continuous demand in the PRC and global markets. At the same time, we have broad potential opportunities in the exploration and development of processing agents and additives required by chemical material production plants.

Business Overview

With the successive commencement of operation of large-scale private oil refining and chemical enterprises in the PRC in recent years, our customer base has been continuously diversified. Compared with last year, we sold greater quantities of products to private customers during the Reporting Period, further, the proportion of our total sales to private customers in the total annual revenue also increased. In terms of state-owned customers, the number of long-term customers has increased. In general, we achieved better ranking than in previous years for most of our key products in the public bidding for the 2024 and 2025 annual centralized procurement of state-owned customers, which is helpful for the Group to sell products to them. As a result, despite the fact that the total output of fuel oils of the PRC declined due to the impact from the consumer end in 2025, the Group still achieved slightly higher domestic sales than in last year. In 2025, the Group did some trading of raw materials. As a result, both the total sales and total profit of the Group increased. In terms of export sales, due to the ongoing civil war in Sudan, the country where our major overseas customers are located, our sales to Sudan customers has remained suspended, consequently, our export sales remained sluggish with minor change compared with last year.

As a result of the above factors, the Group recorded a total revenue of approximately RMB203.9 million in the year of 2025, representing an increase of approximately 11.9% as compared with last year, and a total net profit of approximately RMB15.7 million, representing an increase of approximately 12.2% as compared with last year.

In 2025, through the continuous investment of the Group in research and development and the persistent efforts of our research & development team, the Group once again achieved inspiring results, obtaining 3 national invention patent rights and submitting 2 new invention patents to relevant authorities for approval. This has enhanced our competitiveness in products, production processes and technologies and added to the potential for future development.

In the first half year of 2025, the Group continued enhancing its environmental protection management level and in terms of hardware, upgraded and renovated the sewage treatment system which has passed the acceptance inspection by relevant departments. To further improve our safety management level and make it easier to identify and control safety risks, the Group updated the signs and labels of hazardous wastes and completed and improved the QR codes and 4-color safety-risk diagrams for patrol inspection of our production areas and special equipments.

The 2 standards for which the Group participated in their formulation in 2024, “Requirements for green procurement evaluation – Oil refining auxiliaries” and “Requirements for green procurement evaluation – Fuel oil additives”, were approved and officially published by the China Association for Standardization (CAS) in January 2025. In 2025, the Group participated in the formulation of the national standard “Application and Evaluation of Corrosion Inhibitors in Oil and Gas Fields” organized by the China Corrosion Control Technology Association. The PRC’s State Administration for Market Regulation and National Standardization Administration Committee have jointly released the consultation draft of this national standard for public comments in February 2026.

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

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

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 the related government authority in 2020. For the Reporting Period, our Group has satisfied the conditions for exemption of obtaining the said license.

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

Key requirements

According to the Ordinance for the Administration of Pollutant Discharge* (排污許可管理條例), 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

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

Future Plan and Prospects

In view of the current international and domestic economic situation, industry development trend and government policies, also taking into account our practical conditions, the Group will adopt the following strategies and plans for its sustainable growth and development:

- By strengthening the collaboration between relevant departments of the Group, continue to improve and optimize the production process, reduce the consumption of raw materials and energy, and further enhance production efficiency, product quality and safety management level.
- Through the continuous efforts of our research, development and technical teams and the cooperation with research institutions and universities, develop more new or better production processes and products of refining oil agents and fuel additives with lower costs, and meanwhile, obtain more national invention patent rights. This will lay a more solid foundation for the future development of the group and the protection of our intellectual property rights.
- While continuing to enhance our abilities in bidding for the procurement of our existing customers, we will further intensify our efforts in customer and business diversification. We will continuously follow the progress of the construction of new refining plants (including gasoline and diesel plants, ethylene plants, polyolefin plants, etc.) in the PRC and overseas, seizing every business opportunity as early as possible. At the same time, we will collaborate with more multinational chemical enterprises and international and domestic traders in diversified markets and product ranges, so as to add to the sales channels of our products in both domestic and international markets.

- We will continue to follow closely the megatrend of “Less oil and more chemicals and specialties” of the domestic oil refining industry. While continuing the development of new products in refining agents and fuel additives according to customers’ needs, we will collaborate with research institutions and universities to develop processing agents and additives required by oil refineries for the production of chemical materials such as ethylene and polyolefin and other high-end new chemical materials. At the same time, we will actively promote the sale of our existing ethylene processing product to potential customers.
- We will continue to actively participate in the discussion, drafting and formulation of industry standards, contributing our share to the standardization construction of the PRC in respect of energy conservation, consumption reduction, emission reduction and environment protection, etc. At the same time, the Group will pay full attention to the risks and opportunities brought about by climate change, proactively promote advanced and applicable clean production technologies and logistic modes, and continue to explore the path of green, low-carbon and intelligent development, so as to ensure the long-term sustainable development of the Group.
- Based on the current status of our Yixing Plant being identified by the relevant government department as “Specialized, Refined and Innovative Small or Medium-Sized Enterprise of Jiangsu Province”, we will further improve our innovation capacity, professional ability, position in the industry and the degree of refinement of products, so that our Yixing Plant may be further identified as national “Specialized, Refined and Innovative Small or Medium-Sized Enterprise” (or “Little Giant Enterprise”), so as to be entitled to more government support in our future development.

Financial Overview

Revenue

Our revenue increased by 11.9% from RMB182.2 million for the year ended 31 December 2024 to RMB203.9 million for the Reporting Period. The following table sets forth our revenue by products for the years indicated:

	For the year ended	
	31 December	
	2025	2024
	RMB'000	RMB'000
Oil refining agents	117,832	123,319
Fuel additives	66,466	58,881
Other business	19,584	–
Total revenue	203,882	182,200

Revenue derived from oil refining agents decreased from RMB123.3 million for the year ended 31 December 2024 to RMB117.8 million for the Reporting Period, which was mainly due to the slight decrease of the quantity of oil refining agents sold in 2025. Revenue derived from fuel additives increased from RMB58.9 million for the year ended 31 December 2024 to RMB66.5 million for the Reporting Period, which was mainly due to the increase of the quantity of fuel additives sold in 2025. The aggregate revenue derived from oil refining agents and fuel additives increased slightly from RMB182.2 million for the year ended 31 December 2024 to RMB184.3 million for the Reporting Period. The revenue derived from other business (trading of raw materials) for the Reporting Period was RMB19.6 million, and we did not have any revenue derived from other business (trading of raw materials) for the year ended 31 December 2024.

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

	For the year ended	
	31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Chinese Mainland	202,685	180,827
Other countries and regions	1,197	1,373
Total revenue	<u>203,882</u>	<u>182,200</u>

Revenue derived from the PRC market increased from RMB180.8 million for the year ended 31 December 2024 to RMB202.7 million for the Reporting Period, which was mainly due to increase of the quantity of products sold in 2025 in the PRC market. Revenue derived from the overseas market decreased slightly from RMB1.4 million for the year ended 31 December 2024 to RMB1.2 million for the Reporting Period.

Cost of sales

Our cost of sales increased from RMB140.9 million for the year ended 31 December 2024 to RMB157.8 million for the Reporting Period. The following table sets forth our cost of sales by products for the years indicated:

	For the year ended	
	31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Oil refining agents	90,441	100,584
Fuel additives	48,367	40,362
Other business	18,947	–
Total cost of sales	<u>157,755</u>	<u>140,946</u>

The cost of sales of oil refining agents decreased from RMB100.6 million for the year ended 31 December 2024 to RMB90.4 million for the Reporting Period, which was mainly due to the decrease in 2025 of the average cost of our raw materials for our oil refining agents. The cost of sales of fuel additives increased from RMB40.4 million for the year ended 31 December 2024 to RMB48.4 million for the Reporting Period, which was mainly due to the increase of the total quantity of our fuel additives sold in 2025. The cost of other business (trading of raw materials) for the Reporting Period was RMB18.9 million, and we did not have any cost of other business (trading of raw materials) for the year ended 31 December 2024.

Profit from operations

Our profit from operations increased from RMB17.5 million for the year ended 31 December 2024 to RMB19.7 million for the Reporting Period, which was mainly due to the increase in our total revenue and total gross profit. The following table sets forth the profit from operations for the years indicated:

	For the year ended	
	31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Gross profit	46,127	41,254
Other income	4,009	6,002
Sales and marketing expenses	(10,521)	(9,461)
General and administrative expenses	(12,350)	(11,849)
Research and development expenses	(8,578)	(7,416)
Impairment losses reversed/(recognised) of trade receivables	1,046	(1,059)
Profit from operations	<u>19,733</u>	<u>17,471</u>

Gross profit

For the years ended 31 December 2024 and 2025, our gross profit amounted to RMB41.3 million and RMB46.1 million, respectively. Our gross profit margin was both 22.6% respectively for the same periods. The table below sets forth our gross profit by product for the years indicated:

	For the year ended	
	31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Oil refining agents	27,391	22,735
Fuel additives	18,099	18,519
Other business	637	–
Total gross profit	<u>46,127</u>	<u>41,254</u>

Our gross profit for oil refining agents increased by 20.5% from RMB22.7 million for the year ended 31 December 2024 to RMB27.4 million for the Reporting Period, which was mainly due to the decrease of the average cost of our raw materials for our oil refining agents and the increase of the proportion of products with higher gross profit margin in the oil refining agents sold in 2025, and due to the same reason, our gross profit margin of oil refining agents increased by 4.8 percentage points from 18.4% to 23.2% for the same periods.

Our gross profit for fuel additives decreased by 2.3% from RMB18.5 million for the year ended 31 December 2024 to RMB18.1 million for the Reporting Period, which was mainly due to the decrease in the average price of our fuel additives sold in 2025, and due to the same reason, our gross profit margin of fuel additives decreased by 4.3 percentage points from 31.5% to 27.2%.

Other income

Our other income decreased from RMB6.0 million for the year ended 31 December 2024 to RMB4.0 million for the Reporting Period, which was mainly due to the decrease in scrap sales.

Sales and marketing expenses

Our sales and marketing expenses slightly increased from RMB9.5 million for the year ended 31 December 2024 to RMB10.5 million for the Reporting Period, which was mainly due to the increase in business travel expenses of our sales personnel.

General and administrative expenses

Our general and administrative expenses mainly include the professional service fees, the labor and welfare cost, taxes, depreciation and amortisation, travel expenses, office and vehicles expenses and hospitality and entertainment costs.

Our general and administrative expenses increased from RMB11.8 million for the year ended 31 December 2024 to RMB12.4 million for the Reporting Period, which basically remained stable.

Research and development expenses

Our research and development expenses increased from RMB7.4 million for the year ended 31 December 2024 to RMB8.6 million for the Reporting Period. Such expenses consisted primarily of the labor and welfare cost, raw material costs and depreciation of machinery, equipment and analytical instruments.

Income tax expense

Our income tax expense for the years ended 31 December 2024 and 2025 was RMB3.5 million and RMB4.0 million, respectively. The increase in income tax expense was mainly due to the increase in profit before taxation realized in 2025. For the years ended 31 December 2024 and 2025, our effective tax rates for the same periods were 19.9% and 20.5%, respectively.

Profit for the year

As a result of the foregoing, our profit increased by 12.2% from RMB14.0 million for the year ended 31 December 2024 to RMB15.7 million for the Reporting Period, which was mainly due to the increase in the total gross profit.

Liquidity, Financial Resources and Capital Structure

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

The shares of the Company (“**Shares**”) became listed on the main board (the “**Listing**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 28 March 2018 (the “**Listing Date**”) with net proceeds (the “**Net Proceeds**”) from the Listing amounting to 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 available to us, the Directors believe that our current cash and cash equivalents and expected cash flows from operations, will be sufficient to satisfy our current requirements and able to fulfill our business obligations.

Selected Items of the Consolidated Statements of Financial Position

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

	As of 31 December	
	2025	2024
	RMB'000	RMB'000
Current assets		
Inventories	33,607	28,877
Trade and other receivables	75,783	104,626
Prepayments	1,002	6,103
Restricted bank deposits	2,068	250
Bank deposits with original maturity over three months	15,000	10,000
Cash and cash equivalents	114,566	85,251
	<hr/>	<hr/>
Total current assets	242,026	235,107
	<hr/>	<hr/>
Current liabilities		
Trade and other payables	31,911	37,356
Income tax payable	3,530	3,545
	<hr/>	<hr/>
Total current liabilities	35,441	40,901
	<hr/>	<hr/>
Net current assets	206,585	194,206
	<hr/>	<hr/>

Our current assets increased from RMB235.1 million as of 31 December 2024 to RMB242.0 million as of 31 December 2025, which was mainly due to the increase in cash and cash equivalents. Our current liabilities decreased from RMB40.9 million as of 31 December 2024 to RMB35.4 million as of 31 December 2025, which was mainly due to the decrease in trade and other payables.

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 and commercial acceptance notes receivable that entitle our Group to receive the full face amount from banks or customers at maturity, which generally ranges from three to six months from the date of issuance. The following table sets forth our trade and other receivables as of the dates indicated:

	As of 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables, net of loss allowance	64,555	95,973
Bills receivables	8,050	6,262
Other receivables	3,178	2,391
Trade and other receivables, net	<u>75,783</u>	<u>104,626</u>

Our net trade and other receivables decreased from RMB104.6 million as of 31 December 2024 to RMB75.8 million as of 31 December 2025, which was mainly due to the decrease in trade receivables. All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

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

	As of 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	58,336	88,329
After 3 months but within 6 months	3,467	3,398
After 6 months but within 1 year	2,752	1,073
After 1 year but within 2 years	–	254
After 2 years but within 3 years	–	2,919
Trade receivables, net of loss allowance	<u>64,555</u>	<u>95,973</u>

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 based on their scale and financial strength. We did not have any material bad debts during the Reporting Period.

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

Trade and other payables

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

	As of 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	18,842	20,744
Other payables and accruals	13,069	16,612
Total trade and other payables	<u>31,911</u>	<u>37,356</u>

Our trade and other payables decreased from RMB37.4 million as of 31 December 2024 to RMB31.9 million as of 31 December 2025, which was mainly due to our faster settlement of trade payables and other payables during the Reporting Period. All trade payables are expected to be settled within one year.

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

	As of 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	18,476	20,285
Over 3 months but within 6 months	226	47
Over 6 months but within 1 year	136	412
Over 1 year	4	–
	<hr/>	<hr/>
Total trade payables	<u>18,842</u>	<u>20,744</u>

Gearing Ratio

Our gearing ratio which is calculated by total borrowings divided by total assets was both nil as of 31 December 2024 and 31 December 2025 as the Group did not have any borrowings.

Contingent liabilities, guarantees and litigation

As of 31 December 2025 and 2024, we had no contingent liabilities, guarantees or litigation.

Capital Expenditures and Commitment

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

	For the year ended	
	31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of property, plant and equipment	<u>4,809</u>	<u>4,761</u>
Total capital expenditures	<u>4,809</u>	<u>4,761</u>

The Group did not have any capital commitments outstanding at 31 December 2025 and 2024 not provided in the financial statements.

Related Party Transactions

During the Reporting Period, the Group did not have any related party transactions except for key management personnel remuneration.

Connected Transactions

During the Reporting Period, the Group did not have any connected transactions as defined under Chapter 14A of the Listing Rules.

Off-balance Sheet Arrangements

As of 31 December 2025, the Group did not have any off-balance sheet arrangements.

Foreign Currency Exposure

The assets, liabilities and transactions of the Group are primarily denominated in RMB, HKD, Euro and USD, and 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. 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. Our group did not use any derivative financial instruments to the hedge the risk of exchange rate changes for the Reporting Period.

Key Financial Ratios

The following tables set forth certain key financial ratios as of the dates or for the years indicated:

	As of 31 December	
	2025	2024
Return on equity ⁽¹⁾	6.6%	6.1%
Return on assets ⁽²⁾	5.6%	5.2%
Current ratio ⁽³⁾	6.8	5.7
Quick ratio ⁽⁴⁾	5.9	5.0
Gross profit margin	22.6%	22.6%
Net profit margin	7.7%	7.7%

Notes:

- (1) Return on equity represents profit for the year divided by average equity, calculated as equity at the beginning of the year plus equity at the end of the year, divided by two.
- (2) Return on assets represents profit for the year divided by average assets, calculated as assets at the beginning of the year plus assets at the end of the year, divided by two.
- (3) Current ratio represents total current assets divided by total current liabilities as of the relevant year end.
- (4) Quick ratio represents total current assets less inventories divided by total current liabilities as of the relevant year end.

Return on equity

Our return on equity reflecting our financial performance increased from 6.1% as of 31 December 2024 to 6.6% as of 31 December 2025 primarily because of the increase of our profit for the Reporting Period.

Return on assets

Our return on assets reflecting our profitability increased from 5.2% as of 31 December 2024 to 5.6% as of 31 December 2025 primarily because of the increase of our profit for the Reporting Period.

Current ratio

Our current ratio increased from 5.7 as of 31 December 2024 to 6.8 as of 31 December 2025 primarily because of the increase in our total current assets and the decrease in our total current liabilities during the Reporting Period. It reflected our ability to pay our obligations which are due within one year.

Quick ratio

Our quick ratio reflecting our liquidity increased from 5.0 as of 31 December 2024 to 5.9 as of 31 December 2025 primarily because of the increase in our total current assets and the decrease in our total current liabilities during the Reporting Period.

SIGNIFICANT INVESTMENTS HELD AND ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Group did not have any significant investments or any acquisitions and disposals of subsidiaries, associates and joint ventures. Other than bank loans and repurchase financing which we may consider, we do not expect to have any plan for material acquisition and disposals of subsidiaries, associates and joint ventures in the short term as at the date of this announcement.

USE OF THE NET PROCEEDS FROM THE LISTING

The Shares were listed on the main board of Stock Exchange on 28 March 2018 with the Net Proceeds received by the Company from the Listing of approximately HK\$110.7 million. The intended use of the Net Proceeds will be used in a manner consistent with that disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 19 March 2018.

The Company has revised the expected timeline for the full utilization of the remaining Net Proceeds of approximately HK\$52.1 million. The remaining balance of the Net Proceeds, consisting approximately HK\$23.8 million intended for the upgrading of the Yixing plant and approximately HK\$28.3 million for the construction of high-purity oleic acid production facilities, is expected to be fully utilized by 30 June 2028.

There has been no change in the intended use of the Net Proceeds since the Listing Date, yet due to the following factors that have affected or will probably affect our operating results, for the best interest of the Company and its shareholders, we have slowed down the progress of our original plan on the intended 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 chemical incident 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, the Sudan business had contributed a considerable part of the revenue and profits of the Company. After the Listing, the Sudan business declined and fluctuated due to various causes, in particular to the turbulent political environment. In April 2023, a big-scale civil war broke out in Sudan, which led to the complete suspension of the operation of our Sudan customers, since then, we had not generated any revenue from our Sudan business, and up to the date of this announcement, 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

With the support of the government and favorable policies in place, the sales of new energy vehicles in the PRC have grown quickly in the past several years and new energy vehicles have occupied a considerable share of the new vehicle market in the PRC. 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. It is likely that the market share of new energy vehicles will continue to grow, further encroaching on the market share of fuel-powered vehicles.

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. As a result, 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, 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.

5. The international political unrest in recent years

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 United States 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.

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 balance of the Net Proceeds at the right time, so as to finally reach the desired production capacity and realise the intended results.

For more details, please refer to the Company's announcement dated 6 March 2026 with the title "Revision of the Expected Time for Completing the Utilization of the Net Proceeds".

Since the Listing Date and up to 31 December 2025, the utilization of the Net Proceeds and remaining balance (approximately HK\$52.1 million) are set out below:

Purposes	Allocation on pro-rata basis	Amount	Amount	Amount utilised during the Reporting Period	Balance of amount unutilised as of 31 December 2025
		actually used from the Listing Date to 31 December 2025	unutilised brought forward as of 31 December 2024		
To upgrade our Yixing plant by purchasing new sets of machinery, equipment and analytical instruments	Approximately HK\$42.8 million (approximately 39%)	Approximately HK\$19.0 million	Approximately HK\$24.1 million	Approximately 0.3 million	Approximately HK\$23.8 million
To build production facilities for the manufacturing of a lower-cost raw material substitute, high-purity oleic acid, for the production of lubricity improvers	Approximately HK\$53.9 million (approximately 49%)	Approximately HK\$25.6 million	Approximately HK\$28.3 million	–	Approximately HK\$28.3 million
General business operations and working capital	Approximately HK\$8.8 million (approximately 8%)	Approximately HK\$8.8 million	–	–	–
To repay bank borrowings	Approximately HK\$5.2 million (approximately 4%)	Approximately HK\$5.2 million	–	–	–
Total	Approximately HK\$110.7 million (100%)	Approximately HK\$58.6 million	Approximately HK\$52.4 million	Approximately HK\$0.3 million	Approximately HK\$52.1 million

* *The remaining balance of the Net Proceeds is expected to be used up by 30 June 2028. Should the Board find it necessary to further revise the expected time for completing the utilization of the Net Proceeds or to change the intended use of the remaining balance of the Net Proceeds, the Company will promptly disclose such information to the Shareholders for the compliance with the relevant requirements under the Listing Rules.*

SHARE OPTION SCHEME

The share option scheme was adopted by the Company and approved by shareholders of the Company 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 our Group. Eligible participants of the Share Option Scheme include any employees, 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 and the annual report of the Company for the year ended 31 December 2024.

No share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption. As of 31 December 2025, the Company has no outstanding share option under the Share Option Scheme.

EMPLOYMENT AND EMOLUMENTS

As of 31 December 2025, our Group had 58 (2024: 64) 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 included pension scheme, unemployment insurance and housing allowance, etc.

CORPORATE GOVERNANCE

Our Group is committed to maintaining high standards of corporate governance to protect the interest of our shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (“**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 code provision C.2.1 of part 2 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ge Xiaojun (“**Mr. Ge**”) is the chairman of the Board and the chief executive officer of the Company. The Board is of the view that vesting the roles of both chairman and chief executive officer in Mr. Ge has the benefit of providing consistent and continuous planning and execution of our Group’s strategies. The Board also believes that the current arrangement is in the interest of the Company and its shareholders as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities (including any sale or transfer of treasury shares (as defined under the Listing Rules)).

The Company did not have any treasury shares (as defined under the Listing Rules) as at 31 December 2025 and as at the date of this announcement.

EVENTS AFTER THE REPORTING PERIOD

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

FINAL DIVIDEND

In light of the current turbulent international political and economic landscape, the development trend of the domestic oil refining industry and the Group's business circumstances, the Board considers that maintaining more cash reserve at this juncture is more advantageous for the Group in addressing uncertainties, mitigating risks and seizing potential opportunities. Consequently, in accordance with the Company's dividend policy, the Board does not recommend the payment of a final dividend for the year ended 31 December 2025 (2024: HK\$0.01 per share). The Board will continuously monitor and assess the dynamic changes in external environment, industry trends and the Group's business performance, and will consider when appropriate, the resumption of final dividend or declaring interim or special dividends, so as to reward Shareholders for their support.

AGM

The annual general meeting (“**AGM**”) will be held at the Company's headquarters and principal place of business in the PRC at No. 16 West Kaixuan Road, Economic Development Zone, Yixing, Jiangsu, the PRC on Friday, 22 May 2026. The notice of the AGM will be published in due course as required under the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain shareholder's entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 19 May 2026 to Friday, 22 May 2026, both days inclusive, during which period no transfer of shares of the Company will be registered. Shareholders whose names appear on the register of members of the Company at the record date on Friday, 22 May 2026 are entitled to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's 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 no later than 4:30 p.m. on Monday, 18 May 2026.

AUDIT COMMITTEE AND REVIEW OF THE ANNUAL RESULTS

The Audit Committee, which comprises three independent non-executive Directors, has reviewed and discussed with the management the accounting principles and practices adopted by the Company, auditing, risk management and internal controls and financial report matters, and the Company's policies and practices on corporate governance. The Annual Results has been reviewed and confirmed by the Audit Committee. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

SCOPE OF WORK OF THE AUDITOR

The financial figures in respect of our Group's audited consolidated statement of financial position, audited consolidated statement of profit or loss, audited consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2025 as set out in the preliminary result announcement have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in our Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditors.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The Annual Results announcement is published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jscxsh.cn). The annual report of the Company for the year ended 31 December 2025 will be available on the same websites and dispatched to the Company's shareholders who request the printed copy in April 2026 as required under the Listing Rules.

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

Hong Kong, 23 March 2026

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

* *For identification purpose only*