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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2116



2025
ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Gu Yao

Independent Non-executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

JOINT COMPANY SECRETARIES

Mr. Tan Qian
Ms. Yu Anne

AUTHORISED REPRESENTATIVES FOR THE PURPOSE OF RULE 3.05 OF THE LISTING RULES

Mr. Ge Xiaojun
Ms. Yu Anne

REGISTERED ADDRESS IN THE CAYMAN ISLANDS

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

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

AUDITORS

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

LEGAL ADVISERS

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

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY'S WEBSITE

<http://www.jscxsh.cn>

STOCK CODE

2116

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

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

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I would hereby present to you the annual report of the Group for the financial year ended 31 December 2025.

The year 2025 was another turbulent one. Although the Gaza war had allegedly come to an end, the conflict between Russia and Ukraine continued. Since April 2025, the United States launched a fierce tariff war with major economies, including the PRC, causing the global economic environment to deteriorate rapidly and become increasingly unpredictable. In the PRC, the continued encroachment of electric vehicles on the market of gasoline-powered vehicles has led to sluggish domestic consumption of refined oil products. In addition, the “Less oil and more chemicals and specialties” strategy of the Chinese oil refining industry has been continuously advancing. As a result, the output of refined oils has declined, consequently, the growth in demands for the Group's existing products in the PRC market is limited to some extent.

The persistently unfavorable macro-environment has in no way shaken our confidence in the Group's sustainable development, as the Group has decades of solid foundation and a team of employees and management that are united, brave in the face of difficulties, and constantly striving. Whilst continuing to strengthen the management of tendering and bidding processes for state-owned customers, we have also strengthened the implementation of our customer diversification strategy to sell more products to private customers, which finally achieved good results. In 2025, the Group's total revenue and total profit both rose against the trend, achieving a year-on-year growth of over 10%.

Alongside the growth in operating performance, the Group has also made significant accomplishments in other areas. For instance, in 2025, through the continuous investment 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. Following the approval and formal publication in January 2025 of two industry standards that the Group had helped draft in 2024, 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.

The outlook for 2026 remains unfavorable. The Russia-Ukraine war and the tariff war are continuing, whilst conflicts in the Middle East involving the United States, Israel and Iran have escalated significantly, leading to further uncertainty in the global economy, particularly in the oil industry. However, we remain as confident as ever, for we have also noted the tightening of domestic requirements on emissions from refining facilities in the PRC, as well as the further enhancement of standards and regulations governing vehicle emissions; we have noted that the PRC Government's tax incentives for new energy vehicles have begun to diminish; we have noted the adjustments to vehicle electrification policies in some European and American countries; and we have noted that the overall global demand for refined oil products will continue to grow in the long term.

CHAIRMAN'S STATEMENT

In the new year, we will continue to monitor and analyse the international and domestic political and economic conditions, the industry trends and national policies. Taking into account the Group's practical circumstances, we will adopt appropriate and feasible strategies and plans to pursue further growth and development. Through the continuous efforts of our research, development and technical teams and the cooperation with research institutions and universities, we will develop more new or better production processes and products of refining oil agents and fuel additives with lower costs, and will enhance our research and development of processing agents and additives required by refineries for the production of chemical materials, so as to obtain more national invention patent rights and broaden our market. At the same time, 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.

We are confident that, with the continued trust and support of our Shareholders and the sustained efforts of all our staff and workers, the Group will surely grow and develop further, continuously creating value for our Shareholders.

Yours faithfully,

Ge Xiaojun

Chairman and Chief Executive Officer

23 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL ACTIVITIES

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 (NH₃) 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Compliance with Key Regulatory Requirements

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

Key requirements

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

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

According to the Ordinance for the Administration of Pollutant Discharge* (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

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

The Group complied with such requirement during the Reporting Period.

The Group complied with such requirement during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

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, develop more new or better production processes and products of refining oil agents and fuel additives, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB'000	2024 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 RMB'000	2024 RMB'000
Chinese Mainland	202,685	180,827
Other countries and regions	1,197	1,373
Total revenue	203,882	182,200

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB'000	2024 RMB'000
Oil refining agents	90,441	100,584
Fuel additives	48,367	40,362
Other business	18,947	–
Total cost of sales	157,755	140,946

The cost of sales of oil refining agents decreased from RMB100.6 million for the year ended 31 December 2024 to RMB 90.4 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 RMB19.7million 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 RMB'000	2024 RMB'000
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 loss reversed/(recognised) on trade receivables	1,046	(1,059)
Profit from operations	19,733	17,471

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 RMB'000	2024 RMB'000
Oil refining agents	27,391	22,735
Fuel additives	18,099	18,519
Other business	637	–
Total gross profit	46,127	41,254

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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB'000	2024 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
Total current assets	242,026	235,107
Current liabilities		
Trade and other payables	31,911	37,356
Income tax payable	3,530	3,545
Total current liabilities	35,441	40,901
Net current assets	206,585	194,206

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 the 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 RMB'000	2024 RMB'000
Trade receivables, net of loss allowance	64,555	95,973
Bills receivables	8,050	6,262
Other receivables	3,178	2,391
Total trade and other receivables, net	75,783	104,626

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 RMB'000	2024 RMB'000
Within 3 months	58,336	88,329
Over 3 months but within 6 months	3,467	3,398
Over 6 months but within 1 year	2,752	1,073
Over 1 year but within 2 years	–	254
Over 2 years but within 3 years	–	2,919
Total trade receivables, net of loss allowance	64,555	95,973

MANAGEMENT DISCUSSION AND ANALYSIS

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. The Group 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 RMB'000	2024 RMB'000
Trade payables	18,842	20,744
Other payables and accruals	13,069	16,612
Total trade and other payables	31,911	37,356

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 RMB'000	2024 RMB'000
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	–
Total trade payables	18,842	20,744

MANAGEMENT DISCUSSION AND ANALYSIS

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 and 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 RMB'000	2024 RMB'000
Purchase of property, plant and equipment	4,809	4,761
Total capital expenditures	4,809	4,761

The Group did not have any capital commitments outstanding as at 31 December 2025 (31 December 2024: Nil) not provided in the financial statements.

CONNECTED TRANSACTION

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

RELATED PARTY TRANSACTION

Details of the related party transactions of the Group during the Reporting Period are set out in note 20 to the consolidated financial statements of this annual report, among which the compensation paid to the Directors constitutes connected transactions of the Company which are fully exempted according to Rule 14A.95 of the Listing Rules.

Off-balance Sheet Arrangements

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

MANAGEMENT DISCUSSION AND ANALYSIS

Charges on the Group's assets

As of 31 December 2025, no asset of the Group was subject to any charges.

Foreign Currency Exposure

The assets, liabilities and transactions of the Group are primarily denominated in Renminbi, Hong Kong dollars, Euro and United States dollars, 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. The Group did not use any derivative financial instruments to 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 report.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As of 31 December 2025 and up to the date of this annual report, the Group did not have any plans for material investments and capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF THE NET PROCEEDS FROM THE LISTING

The Shares were listed on the Main Board of the 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\$23.8million 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 affect our operating results, for the best interest of the Company and its Shareholders, we have slow 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 received. 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, 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 report, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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".

MANAGEMENT DISCUSSION AND ANALYSIS

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

Purposes	Allocation on pro-rata basis	Amount actually used from the Listing Date to 31 December 2025	Amount unutilised brought forward as of 31 December 2024	Amount utilised during the Reporting Period	Balance of amount unutilised as of 31 December 2025
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 HK\$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.*

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. Notice of the AGM will be published in due course as required under the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Ge Xiaojun (葛曉軍), aged 62, is the chairman of the Board, an executive Director and the chief executive officer of the Company. Mr. Ge is primarily responsible for supervising the overall management, strategic planning and day-to-day operations of the Group. Mr. Ge has more than 30 years of sales and management experience in the oil refining agents and fuel additives industry. Prior to joining the Group, Mr. Ge held various positions in Yixing HanGuang Group* (宜興市漢光集團) from February 1985 to August 1998, where he last served as a sales manager and was primarily responsible for sales of oil refining agents and fuel additive products. From August 1998 to December 2002, Mr. Ge was the supervisor of Yixing Innovation Refining Agent Co., Ltd.* (宜興市創新煉化助劑有限公司) and primarily responsible for the overall management and operations. Mr. Ge has been serving as the executive director of Jiangsu Chuangxin Petrochemical Co., Ltd.* (江蘇創新石化有限公司) since December 2002 and is primarily responsible for supervising the overall management, strategic planning and day-to-day operations. From December 2009 to June 2015, Mr. Ge served as a director and general manager of Jiangsu Suiquan Financing Assurance Co., Ltd.* (江蘇穗全融資擔保有限公司).

Mr. Ge graduated with a bachelor degree (remote-education) of business administration from China University of Petroleum (Beijing)* (中國石油大學(北京)) in January 2016. Mr. Ge is qualified with a Senior Economist Certificate issued by Jiangsu Province Personnel Department* (江蘇省人事廳) in 2009. Mr. Ge was awarded the title of Wuxi Outstanding Private Entrepreneur* (優秀民營企業家) by Wuxi Municipal People's Government* (無錫市人民政府) in April 2009.

Mr. Ge is the spouse of Ms. Gu who is also an executive Director. Ms. Gu holds 100% interest in Innovative Green Holdings, a controlling Shareholder holding 75% interest in the Company, therefore Mr. Ge is also deemed to be interested in the Shares held by Innovative Green Holdings by virtue of the SFO.

Ms. Gu Jufang (顧菊芳), aged 62, is an executive Director and the general manager of the Company. Ms. Gu is primarily responsible for supervising the overall management and day-to-day operations of the Group. Ms. Gu has more than 30 years of management experience in the oil refining agents and fuel additives industry. Prior to joining the Group, Ms. Gu held various positions in Yixing HanGuang Group* (宜興市漢光集團) from February 1985 to August 1998, where she last served as the vice office manager and was primarily responsible for daily administrative affairs. Ms. Gu also served as a director of Dalian Free Trade Zone Innovation Refining Agent Co., Ltd.* (大連保稅區創新煉化助劑有限公司) since April 2002. Ms. Gu has been serving as the general manager of Jiangsu Chuangxin Petrochemical Co., Ltd.* (江蘇創新石化有限公司) since December 2002 and is primarily responsible for supervising the overall management and day-to-day operations. Ms. Gu has also been the supervisor of Jiangsu Suiquan Financing Assurance Co., Ltd.* (江蘇穗全融資擔保有限公司) from December 2009 to June 2015.

Ms. Gu graduated from Suzhou Worker University of Science and Technology* (蘇州職工科技大學) in July 2000 with a bachelor's degree and China University of Petroleum (Beijing)* (中國石油大學(北京)) in January 2013 with a diploma (remote-education), both majoring in business administration.

Ms. Gu is the spouse of Mr. Ge. Ms. Gu beneficially holds 100% interest in Innovative Green Holdings, and is a controlling Shareholder holding 75% interest in the Company.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Huang Lei (黃磊), aged 57, is an executive Director and vice general manager of the Company. Mr. Huang is primarily responsible for research and development of the Group, and is currently the executive director of our special team for Environmental, Social and Governance (ESG). Mr. Huang has more than 30 years of research and development experience in the oil refining agents and fuel additives industry. Prior to joining the Group, Mr. Huang held various positions in China Petrochemical Corporation Jiujiang Branch* (中國石油化工集團公司九江分公司) from July 1990 to August 2010, where he last served as the vice manager of technology department and was primarily responsible for technology research. Mr. Huang has been the vice general manager of Jiangsu Chuangxin Petrochemical Co., Ltd.* (江蘇創新石化有限公司) since September 2010 and is primarily responsible for technology research and development. Mr. Huang was granted Senior Engineer Qualification by China Petrochemical Corporation* (中國石油化工集團公司) in November 2001. Mr. Huang was one of the main participants of several projects which were issued awards such as Advance Technology Award (Third Class) by China Petrochemical Corporation* (中國石油化工集團公司) in 2007.

Mr. Huang graduated with a bachelor degree in chemical engineering from Dalian University of Technology* (大連理工大學) in July 1990.

Mr. Jiang Caijun (蔣才君), aged 56, is an executive Director and vice general manager of the Company. Mr. Jiang is primarily responsible for sales and market development of the Group. Mr. Jiang has more than 25 years of sales and management experience. From 1988 to 2002, Mr. Jiang held various positions in Yixing HanGuang Group* (宜興市漢光集團), where he last served as the office manager and the assistant general manager and was primarily responsible for daily administrative affairs. Mr. Jiang has been the vice general manager of Jiangsu Chuangxin Petrochemical Co., Ltd.* (江蘇創新石化有限公司) since January 2003 and is primarily responsible for sales and marketing management.

Mr. Fan Yaqiang (范亞強), aged 54, is an executive Director and the sales manager of the Company. Mr. Fan is primarily responsible for sales of our products. Mr. Fan has nearly 25 years of sales experience in the oil refining agents and fuel additives industry. Prior to joining the Group, from September 1998 to December 1999, Mr. Fan served as the sales personnel at the sales department of Yixing HanGuang Group* (宜興市漢光集團). From January 2000 to December 2002, Mr. Fan served as the sales manager of Yixing Chuangxin Lianhua Zhuji Co., Ltd.* (宜興市創新煉化助劑有限公司). Mr. Fan has been the sales manager of Jiangsu Chuangxin Petrochemical Co., Ltd.* (江蘇創新石化有限公司) since January 2003 and is primarily responsible for sales and market development.

Mr. Fan graduated from China University of Petroleum (Beijing)* (中國石油大學(北京)) in July 2016, with a diploma (remote-education) majoring in chemical engineering and technology.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director

Mr. Gu Yao (顧耀), aged 40, was appointed as the non-executive Director on 18 September 2017. Mr. Gu is primarily responsible for overseeing the strategic development of the Group. Mr. Gu has more than 10 years of investment and financial management experience. Prior to joining the Group, Mr. Gu served as the finance manager of Yixing HanGuang Hi-Tech Petrochemical Co., Ltd* (宜興漢光高新石化有限公司) from September 2008 to December 2011. From January 2012 to July 2016, Mr. Gu served as the investment manager of Shanghai Shambhala Investment Management Co., Ltd* (上海尚寶投資管理有限公司) from January 2012 to July 2016. Mr. Gu has been the investment manager of Topsearch Printed Circuits (HK) Ltd* (至卓飛高線路板(香港)有限公司) since August 2016, where he is primarily responsible for market development in the PRC.

Mr. Gu graduated from Shanghai University of Finance and Economics* (上海對外貿易學院) in July 2008, majoring in finance.

Independent Non-executive Directors

Mr. Fan Peng (樊鵬), aged 43, was appointed as an independent non-executive Director on 7 March 2018. Mr. Fan has approximately 20 years of experience in accounting and corporate financing. Since September 2024, Mr. Fan serves as chief financial officer of Hesai Group, a company listed on NASDAQ (stock code: HSAI). Prior to that, Mr. Fan had held senior roles of Seyond Holdings Ltd. (previously named: Innovusion Holdings Ltd), Hailiang Education Group Inc., a company listed on NASDAQ (stock code: HLG), Aesthetic Medical International Holdings Group Limited, a company listed on NASDAQ (stock code: AIH) and Dali Foods Group Company Limited, a company previously listed on the Stock Exchange (stock code: 3799) and had been delisted since 25 August 2023. Before that, Mr. Fan served in various financial institutions including Deutsche Bank AG, HSBC and Macquarie Bank.

Mr. Fan graduated from Tsinghua University* (清華大學), with bachelor's degree in accounting and master's degree in business administration in July 2004 and July 2006, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Guan Dongtao (管東濤), aged 54, was appointed as an independent non-executive Director on 7 March 2018. Mr. Guan has over 25 years of experience in accounting and corporate financing. Mr. Guan served as (i) the audit manager of Jiangsu Yixing Accounting Firm* (江蘇宜興會計事務所) from September 1993 to August 1999; (ii) the financial manager of Jiangsu Hengxin Technology Co., Ltd.* (江蘇亨鑫科技有限公司) from August 1999 to August 2001; (iii) the financial manager of Shunte Electronic Co., Ltd.* (順特電氣有限公司) from October 2001 to August 2007; (iv) the chief accountant of Qianjiang Electronic Group Co., Ltd.* (錢江電氣集團股份有限公司) from August 2007 to July 2008; (v) the financial manager of Jiangsu Trigiant Technology Co., Ltd.* (江蘇俊知技術有限公司) from September 2008 to December 2012; (vi) the chief financial officer of Flying Technology Co., Ltd.* (展鵬科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603488) from December 2012 to May 2019; (vii) the general manager of Dongyin Chuangfu Technology (Shenzhen) Co. Ltd.* (東尹創富科技(深圳)有限公司) from June 2019 to April 2021; (viii) the vice general manager of Jiangsu Yixing Tourism Industry Group Co., Ltd.* (江蘇宜興旅遊產業集團有限公司) from April 2021 to April 2025; and (ix) since late April 2025 and up to now, Mr. Guan has served as chief financial officer of Youjie Future (Wuxi) New Materials Co. Ltd.* (優解未來(無錫)新材料有限公司).

Mr. Guan graduated from Soochow University* (蘇州大學) in June 1993, with a bachelor's degree in economics (major in accounting). Mr. Guan was qualified as a certified public accountant of the PRC in 1994 and obtained a professional accounting certificate in 1998.

Ms. Wu Yan (吳燕), aged 49, was appointed as an independent non-executive Director on 7 March 2018. Ms. Wu has more than 20 years of experience serving as a lawyer. Ms. Wu has served as director of administration committee of Beijing Yingke (Yixing) Law Firm* (北京盈科(宜興)律師事務所) since September 2024. Before that, Ms. Wu also served as a director in Jiangsu Manxiu Law office (Yixing)* (江蘇漫修(宜興)律師事務所) from February 2008 to August 2024, and worked in Jiangsu Jingxi Law office* (江蘇荊溪律師事務所) from January 2001 to December 2007. Ms. Wu graduated from National Judges College* (國家法官學院), with a college diploma in economics law in July 2000. Ms. Wu was qualified as a lawyer of the PRC in June 2001. She served as an independent non-executive director of Jiangsu Zhongchao Holding Co., Ltd.* (江蘇中超控股有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002471) from March 2015 to March 2018, and served as an independent non-executive director of Jiangsu Zhongsheng Gaoke Environment Company Limited* (江蘇中晟高科環境股份有限公司) (previously named Jiangsu Gaoke Petrochemical Company Limited* (江蘇高科石化股份有限公司)), a company listed on the Shenzhen Stock Exchange (stock code: 002778) from March 2017 to April 2023.

SENIOR MANAGEMENT

Mr. Li Jianjun (李建軍), aged 51, is the financial controller of the Company. Mr. Li is primarily responsible for financial matters of the Group. Mr. Li has more than 25 years of financial accounting experience. Mr. Li has been the financial controller of Jiangsu Chuangxin Petrochemical Co., Ltd.* (江蘇創新石化有限公司) since August 2004 and is primarily responsible for financial matters of the Group.

Mr. Li graduated from Soochow University* (蘇州大學) in July 1999, majoring in accounting. Mr. Li is a senior accountant certified by the Ministry of Finance of the PRC.

DIRECTORS AND SENIOR MANAGEMENT

Joint Company Secretaries

Mr. Tan Qian (談前), aged 55, is one of the joint company secretaries of the Company. Mr. Tan is primarily responsible for international trade matters, assisting the overall management and day-to-day operations of the Group. Mr. Tan has about 25 years of international trade and administrative management experience as well as accounting experience. Prior to joining Jiangsu Chuangxin Petrochemical Co., Ltd* (江蘇創新石化有限公司) during the period from March 1995 to January 2007, Mr. Tan worked in Yixing Shunlang Property Development Co., Ltd.* (宜興順浪物業發展有限公司) as the chief accountant and the assistant to the general manager, and was primarily responsible for accounting matters. Mr. Tan has been the international trade manager of Jiangsu Chuangxin Petrochemical Co., Ltd* (江蘇創新石化有限公司) since February 2007 and is currently also the supervisor of Jiangsu Chuangxin Petrochemical Co., Ltd.* (江蘇創新石化有限公司).

Mr. Tan graduated from Jiangsu Agricultural Broadcasting and Television School* (江蘇省農業廣播電視學校) majoring in finance in July 1994 and from Nanjing Normal University* (南京師範大學) majoring in English in December 1999. Mr. Tan has acquired the skills necessary to carry out the duties of company secretary and the “relevant experience” within the meaning of Note 2 to Rule 3.28 of the Listing Rules and has been confirmed by Hong Kong Stock Exchange on 21 April 2021 to act as a company secretary of the Company.

Ms. Yu Anne (余安妮) was appointed as one of the joint company secretaries, one of the authorised representatives under Rule 3.05 of the Listing Rules and the process agent of the Company under Chapter 622 of the Hong Kong Companies Ordinance on 26 August 2022.

Ms. Yu is an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited and has over 20 years of experiences in corporate secretarial and corporate governance field. Ms. Yu is currently acting as the company secretary of several companies listed on the Main Board of the Stock Exchange. Ms. Yu holds a bachelor’s degree from University of Huddersfield in the United Kingdom and a Master of Law degree from The University of Law in the United Kingdom. Ms. Yu is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Yu also holds a Practitioner’s Endorsement from The Hong Kong Chartered Governance Institute.

REPORT OF THE DIRECTORS

The Directors are pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2025.

LISTING OF THE COMPANY

The Company was incorporated in the Cayman Islands on 6 July 2017 as an exempted company with limited liability under the Cayman Islands Companies Law. The Shares were listed on the Main Board of the Stock Exchange on 28 March 2018.

PRINCIPAL PLACE OF BUSINESS AND PRINCIPAL ACTIVITIES

Our principal place of business and headquarters in the PRC is at No. 16 West Kaixuan Road, Economic Development Zone, Yixing, Jiangsu, the PRC. Our principal place of business in Hong Kong is at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

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.

BUSINESS REVIEW AND RESULTS

A review of the business of the Group for the Reporting Period and a discussion on our future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. An analysis of our performance for the Reporting Period using financial key performance indicators is set out in the section headed "Financial Summary" of this annual report. The analysis of the revenue of the principal activities of the Group for the Reporting Period is set out in note 3 to the consolidated financial statements.

The results of the Group for the Reporting Period are set out in the section headed "Consolidated Statement of Profit or Loss and Other Comprehensive Income" of this annual report.

REPORT OF THE DIRECTORS

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 the Group, to reward them for their past contributions, and to attract and retain or otherwise maintain ongoing relationships with such participants who are significant to and whose contributions are or will be beneficial to the performance, growth or success of the Group.

Eligible participants of the Share Option Scheme include any employees, any Directors (including independent non-executive Directors), advisors, Shareholders, suppliers, customers and consultants of the Group (the “**Eligible Persons**”).

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Group shall not exceed 30% of our Shares in issue from time to time.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date (the “**Scheme Mandate Limit**”), therefore, this 10% maximum number is 48,000,000 shares, representing 10% of the issued share capital of the Company as at the date of this annual report (excluding any treasury shares). The number of option shares available for grant under the scheme mandate as at 1 January 2025 and 31 December 2025 was 48,000,000 Shares respectively.

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

An offer of the grant of an option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an option may be accepted after the expiry of the effective period of the Share Option Scheme. An option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the option duly signed by the grantee together with a remittance in favor of the Company of HK\$1.0 by way of consideration for the grant thereof is received by the Company on or before the date upon which an offer of an option must be accepted by the relevant Eligible Person, being a date not later than 30 days after the offer date (the “**Acceptance Date**”). Such remittance shall in no circumstances be refundable.

Unless otherwise determined by the Board and stated in the offer of the grant of an option to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

Despite the terms of the Share Option Scheme, any grant of options by the Company will comply with the Chapter 17 of the Listing Rules.

REPORT OF THE DIRECTORS

The subscription price in respect of any particular option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of:

- (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (ii) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheet for the five business days (as defined in the Listing Rules) immediately preceding the offer date.

The Share Option Scheme is valid and effective for a period of 10 years commencing on 11 March 2018 and expiring on 10 March 2028. The remaining life of the Share Option Scheme is around 2 years.

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

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

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

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).

The Company did not have any treasury shares as at 31 December 2025 and as at the date of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, sales to our largest group customer accounted for approximately 33.33% of our total revenue, and sales to our five largest group customers and individual customers accounted for approximately 83.52% of our total revenue. The following table sets forth the details of the major group customer of the Group for the Reporting Period:

Customer	Group company	Major products sold	Credit term	Revenue Contribution RMB'000	Percentage of total revenue
Group customer A	State-owned	Oil refining agents and fuel additives	payment against invoice	67,955	33.33

REPORT OF THE DIRECTORS

For the Reporting Period, our purchases from the largest supplier accounted for approximately 38% of the total procurements, and purchases from our five largest suppliers accounted for approximately 68% of the total procurements. The following table sets forth the details of our major suppliers for the Reporting Period:

Rank	Supplier	Major products purchased	Percentage of total purchases
1	Supplier A	Ethanol amines	38
2	Supplier B	Oleic acids	12
3	Supplier C	Antimony trioxide	6

To the best knowledge of the Directors, none of the Directors, their respective close associates or any Shareholders who own more than 5% of the Company's issued share capital (excluding any treasury shares), had any beneficial interest in any of the Group's five largest customers or suppliers aforementioned during the Reporting Period.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 10 to the consolidated financial statements of this annual report.

SUBSIDIARIES

Details of the major subsidiaries of the Company as of 31 December 2025 are set out in note 12 to the consolidated financial statements of this annual report.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group is set out in the section headed "Financial Summary" in this annual report. This summary does not form part of the consolidated financial statements.

FINANCIAL STATEMENTS

The financial results of the Group for the Reporting Period and the financial position of the Group as of 31 December 2025 are set out in the consolidated financial statements of this annual report.

A discussion and analysis of the Group's performance during the Reporting Period and material factors underlying our results and financial position are set out in the section headed "Management Discussion and Analysis" of this annual report.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of movements in the share capital of the Group during Reporting Period are set out in the section headed “Consolidated Statement of Changes in Equity” of this annual report, of which details are set out in note 18 to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

As of 31 December 2025, the aggregate amount of reserves available for distribution to Shareholders was RMB77,889,000.

DIRECTORS

The following table sets forth the Directors during the Reporting Period and up to the date of this annual report:

Name	Age	Position	Appointment Date
Mr. Ge	62	Executive Director, chairman and chief executive officer	18 September 2017
Ms. Gu	62	Executive Director	18 September 2017
Mr. Huang Lei	57	Executive Director	18 September 2017
Mr. Jiang Caijun	56	Executive Director	18 September 2017
Mr. Fan Yaqiang	54	Executive Director	18 September 2017
Mr. Gu Yao	40	Non-Executive Director	18 September 2017
Mr. Fan Peng	43	Independent Non-Executive Director	7 March 2018
Mr. Guan Dongtao	54	Independent Non-Executive Director	7 March 2018
Ms. Wu Yan	49	Independent Non-Executive Director	7 March 2018

The Company has received, from each of the independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and considers that all of the independent non-executive Directors are independent of the Company.

In accordance with Article 84 of the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at an annual general meeting at least once every three years.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out in the section headed “Directors and Senior Management” of this annual report.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS AND APPOINTMENT LETTER

Each of the Directors, including executive Directors, non-executive Director and independent non-executive Directors, has entered into a service contract or an appointment letter with the Company for a term of three years, which may be renewed in accordance with the Articles of Association and the applicable Listing Rules, unless terminated by not less than one month's prior written notice by either party to the other.

Save as aforesaid, none of our Directors has or is proposed to have a service contract or an appointment letter with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

CONTROLLING SHAREHOLDERS' AND DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the sub-section headed "Related Party Transactions" of this annual report, none of the Controlling Shareholders and Directors or any entity connected with a Controlling Shareholder or a Director had a material interest in, either directly or indirectly, any transactions, arrangements or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into by the Company or subsisted during the Reporting Period.

EMPLOYMENT AND EMOLUMENTS

As of 31 December 2025, the 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.

The Remuneration Committee was set up to make recommendation to our Board on the overall remuneration policy and structure for all Directors and senior management of the Company, review remuneration and ensure none of our Directors determine their own remuneration.

We invest in continuing education and training programs for our board members and senior management and other employees with a view to constantly upgrading their skills and knowledge. We also arrange for internal and external professional training programs to develop our employees' skills and knowledge. These programs include further educational studies, fundamental economics and finance knowledge and skills training, and professional development courses for our management personnel. New employees are required to attend induction training courses to ensure that they are equipped with the necessary skills to perform their duties.

REPORT OF THE DIRECTORS

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

The remuneration of Directors is subject to the Shareholders' approval at the general meeting of the Company. The emoluments payable to the Directors and senior management are determined by the Board with recommendations of the Remuneration Committee, their respective contractual terms under their service contracts or appointment letters, having regard to their performance, our operating results and comparable market statistics. No Directors, or any of their respective associates, was involved in regard to the relevant resolution approving their own remuneration.

Remuneration paid to each of the two members of the senior management of the Company (except for five executive Directors) for the Reporting Period is less than HK\$1,000,000. Each of our five executive Directors signed in 2019 an agreement with the Company as a supplemental agreement to the existing executive Directors' service contract, which states that the executive Director shall not receive any Director's emoluments during the term of office (including re-elected term of office). In October 2025, one non-executive Director and three independent non-executive Directors each entered into a supplementary agreement to their non-executive Director/independent non-executive Director service contracts with the Company, reducing their respective Directors' fee rates with effect from January 2025. Details of the emoluments of the Directors and five highest paid individuals are set out in notes 7 and 8 to the consolidated financial statements of this annual report respectively.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, there have been the following changes in the information of Directors since the publishing date of the 2024 Annual Report up to the date of this report.

1. Upon the recommendation of the Remuneration Committee, followed by a resolution of the Board and the consent of the relevant Directors concerned, the non-executive Director, Mr. Gu Yao and the independent non-executive Directors, Mr. Fan Peng, Mr. Guan Dongtao and Ms. Wu Yan, each signed a supplementary agreement to their respective Director's service contract with the Company in October 2025, reducing their respective Director's emolument from HK\$10,000 to HK\$8,333 per calendar month, with effect from January 2025.
2. The employment record of independent non-executive Director, Mr. Guan Dongtao ("**Mr. Guan**") has the following changes:

From April 2021 to April 2025, Mr. Guan served as vice general manager of Jiangsu Yixing Tourism Industry Group Co. Ltd.* (江蘇宜興旅遊產業集團有限公司). In the end of April 2025, Mr. Guan resigned as the vice general manager of Jiangsu Yixing Tourism Industry Group Co. Ltd. and at the same time joined Youjie Future (Wuxi) New Materials Co. Ltd.* (優解未來(無錫)新材料有限公司). Since then and up to now, Mr. Guan has served as chief financial officer of Youjie Future (Wuxi) New Materials Co. Ltd. Please refer to the section headed "DIRECTORS AND SENIOR MANAGEMENT" of this annual report for the updated details of his information.

REPORT OF THE DIRECTORS

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

As of 31 December 2025, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

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

Notes:

- (1) The letter "L" denotes an entity's/a person's long position in the Shares. The calculation is based on the total number of 480,000,000 Shares in issue (excluding any treasury shares) as at 31 December 2025.
- (2) Innovative Green Holdings, a beneficial owner of 360,000,000 Shares, is 100% owned by Ms. Gu. Mr. Ge and Ms. Gu are spouses to each other, therefore each of Mr. Ge and Ms. Gu is deemed to be interested in the Shares held by Innovative Green Holdings by virtue of the SFO.

Save as disclosed above, as of 31 December 2025, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

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

As of 31 December 2025, to the best knowledge of the Directors, the following persons (other than a Director or chief executive of the Company) or corporations had interests or short position in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding in the same class of Shares (%) ⁽¹⁾
Innovative Green Holdings	Beneficial owner	360,000,000 (L)	75

Notes:

- (1) The letter "L" denotes an entity's/a person's long position in the Shares. The calculation is based on the total number of 480,000,000 Shares in issue (excluding any treasury shares) as at 31 December 2025.

Save as disclosed above, as of 31 December 2025, our Directors were not aware of any persons (other than a Director or chief executive of the Company) or corporations who had interests or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be recorded in the register referred to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period were rights to acquire benefits by means of acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS

RETIREMENT SCHEME

The Group participates in pension scheme administered and operated by the local municipal government of the PRC, and contributes funds to the scheme based on a certain percentage of the salaries of the employees on a monthly basis. Contributions to this retirement plan are charged to profit or loss as they became payable in accordance with the rules of the central pension scheme and not reduced by contributions forfeited by those who leave the plans prior to vesting fully in the contributions. The Group has no other material obligation for the payment of pension benefits associated with the scheme beyond the annual contributions described above.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the sub-section headed “Related Party Transactions” in this annual report, there had been no contract of significance between the Company or any of its subsidiaries and any of our Controlling Shareholders or any of its subsidiaries during the Reporting Period.

DISCLOSURE REQUIREMENTS UNDER RULES 13.13 to 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of 31 December 2025, they were not aware of any circumstances that would give rise to any disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group’s cash and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Cayman Islands Companies Act, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

PERMITTED INDEMNITY PROVISION

During the Reporting Period and up to the date of this annual report, a permitted indemnity provision being in force for the benefit of the Directors is set out in the Articles of Association. The Articles of Association is available on the websites of the Stock Exchange and the Company. Directors’ liability insurance has been arranged to cover the Directors against any potential costs and liabilities arising from claims brought against them.

REPORT OF THE DIRECTORS

NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders has confirmed to the Company that he/she/it has complied with the non-competition undertakings that he/she/it provided to the Company under the deed of non-competition dated 11 March 2018. Pursuant to the deed of non-competition, each of our Controlling Shareholders (collectively, the “**Covenantors**”), in favor of the Company (for itself and as trustee for each of the members of the Group), has irrevocably, unconditionally and severally undertaken with the Company that, among others, with effect from the Listing Date and for as long as the Shares remain listed on the Stock Exchange and the Covenantors are individually or collectively with any of their respective close associates interested directly or indirectly in not less than 30% of the issued ordinary share capital of the Company (excluding any treasury shares), (i) each Covenantor shall not, and shall procure that their respective close associates (other than members of the Group) will not directly or indirectly compete with the Group; and (ii) each of the Covenantors shall procure that any business investment or other commercial opportunity identified by or offered to the Covenantors and/or any of their close associates is first referred to the Company. Details of the deed of non-competition are set out in the section headed “Relationship with Controlling Shareholders” of the Prospectus. The Company has received from each of the Covenantors a confirmation of their compliance with their undertakings under the deed of non-competition throughout the period from the Listing Date to the date of this annual report.

The independent non-executive Directors have reviewed the status of compliance and confirmed that all of these non-competition undertakings have been complied with by the Controlling Shareholders during the Reporting Period.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Reporting Period, none of the Directors had any interest in any businesses (other than the business of the Group), which compete or are likely to compete, either directly or indirectly, with the businesses of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group persists in maintaining good corporate governance and operating in compliance with the laws and integrity through abidance by relevant laws and regulations, industry regulations and business ethics.

During the Reporting Period, there was no material breach nor non-compliance with the applicable laws and regulations by the Group.

REPORT OF THE DIRECTORS

For the Reporting Period and up to the date of this annual report, save as those disclosed in the Prospectus, the Company had not been and was not a party to any material legal, arbitral or administrative proceedings, and the Company was not aware of any pending or threatened legal, arbitral or administrative proceedings against the Company or any of the Directors which would have a material adverse effect on the Company's operations or financial condition.

For details, please refer to the sub-section headed "Compliance with Key Regulatory Requirements" set out in section headed "Management Discussion and Analysis" of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

Concentrated Customer Base

Our sales to affiliates of Sinopec, CNPC and CNOOC accounted for a significant portion of our revenue. For the Reporting Period, the total sales to these three state-owned conglomerates accounted for approximately 70% (for the year ended 31 December 2024: approximately 77%) of our total revenue. We built a network of long-standing customer relationships with affiliates of Sinopec, CNPC and CNOOC as they dominant the PRC petrochemical industry. We anticipate that we will continue to generate a significant portion of our revenue from affiliates of these three state-owned conglomerates. However, following the recent trend in the PRC of opening the oil and gas industries to privately-owned businesses, we have been expanding our customer base as per our customer diversification strategy to diversify our revenue sources, and have achieved eminent effects with more and more privately-owned enterprises becoming our long-term customers. As the quantity and price of products purchased from the Group by the three state-owned conglomerates and privately-owned enterprises fluctuate from year to year, our total sales to the three state-owned conglomerates as a percentage of our total revenue fluctuates accordingly.

Price Fluctuations

Our oil refining agents and fuel additives are produced with 50 to 60 types of raw materials. The cost of our raw materials accounted for approximately 97% of our total cost of sales for the Reporting Period. We regularly analyze market price trends by inquiring prices from our suppliers and monitoring the prices of raw materials online and generally retain at least two of suppliers for each kind of raw material in order to avoid reliance on any single source of supply. To the extent that we cannot manage price fluctuations, we will pass cost increases onto our customers to the possible extent through price adjustment mechanisms or by accounting for the possibility of such fluctuations in setting prices for our own products.

REPORT OF THE DIRECTORS

Liquidity and Credit Risk

We enter into various contracts with different counterparties in the ordinary course of business, including suppliers and customers. If any of our counterparties default, this may negatively impact our revenue and profits and we may incur additional operating costs. Defaults by our customers may have an adverse effect on our business, financial position and results of operations. Our future liquidity, the payment of trade payables and repayment of any debt obligations, as they become due, will primarily depend on our ability to maintain adequate cash inflows from operating activities. If we are unable to maintain adequate cash inflows from operating activities, we may default on our payment obligations, which may materially and adversely affect our business, financial condition, results of operations and prospects.

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

Risks Caused by Regional Conflicts and Trade Wars

The current volatile international situation, the escalating regional conflicts and the intensifying trade protectionism and trade wars may result in significant increases or fluctuations in the prices of our raw and auxiliary materials, which may affect our financial performance.

The ongoing Sudan civil war broke out in 2023 has resulted in continued shutdown of the operation of our Sudan customers, which has significantly impacted our export business, and this impact will continue in 2026.

These risks are not the only significant risks that may affect the value of the Shares. For more details, please refer to note 19 to the consolidated financial statements in this annual report.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the sub-section headed “Share Option Scheme” in this annual report, no equity-linked agreements were entered into by the Company or any of its subsidiaries or subsisted during the Reporting Period.

CHARITABLE DONATIONS

For the Reporting Period, the Group made no material charitable and other donations.

REPORT OF THE DIRECTORS

DIVIDEND POLICY

Subject to the laws, rules, regulations and the Articles of Association, the Company may distribute the dividend by way of cash, share allotment or any other form in any currency to the Shareholders. Declaration of dividends is subject to the discretion of the Board, depending on our results of operations, working capital, financial position, future prospects and capital requirements, as well as any other factors which the Directors may considered relevant. The Company does not have any pre-determined dividend payout ratio. Where required, a separate resolution of the proposed dividend distribution plan will be submitted by the Board to the Shareholders at the general meeting for their consideration and approval. The distribution of dividend will be completed within three months upon the approval at the general meeting by the Shareholders.

A dividend policy has been adopted by the Company pursuant to paragraph M of the mandatory disclosure requirements under Part 1 of the CG Code.

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.

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.

REPORT OF THE DIRECTORS

EVENTS AFTER THE REPORTING PERIOD

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

AUDIT COMMITTEE AND REVIEW OF ANNUAL REPORT

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. This annual report 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.

The Company's external auditors, KPMG, have audited the consolidated financial statements for the Reporting Period in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to protect the interest of our Shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions set out in the CG Code 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 code provision C.2.1 of part 2 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 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 the Group's strategies. The Board also believes that the current arrangement is in the interest of the Company and its Shareholders as a whole.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the company' securities.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors, at all times during the Reporting Period and as of the date of this annual report, the Company has maintained the prescribed minimum percentage of public float of at least 25% of the Company's issued share capital (excluding any treasury shares) under the Listing Rules.

AUDITORS

The consolidated financial statements for the Reporting Period have been audited by KPMG, who has remained as the Company's auditors since the Listing Date and shall retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming AGM.

On behalf of the Board

Ge Xiaojun

Chairman and Chief Executive Officer

23 March 2026

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintain high standards of corporate governance to protect the interest of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance. During the Reporting Period and up to the date of this annual report, the Company has complied with all the code provisions as set out in the CG Code, except for the following deviation from code provision C.2.1 of part 2 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 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 the Group's strategies. The Board also believes that the current arrangement is in the interest of the Company and its Shareholders as a whole.

COMPANY'S CULTURE

The Board continuously promotes our corporate culture of "To lay priority on safety, waste not, and keep building a green enterprise" and closely monitors the implementation of corporate governance practices, risk management and internal control systems, as well as the implementation and performance evaluation of the measures relating to Environmental, Social and Governance to ensure that our corporate governance is consistent with the corporate culture. Further, the Board pays full attention to and manage the risks and opportunities brought about by climate change, proactively promoting 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.

THE BOARD

Board Composition

As of the date of this annual report, the Board comprises nine Directors including five executive Directors, namely Mr. Ge Xiaojun (chairman and chief executive officer), Ms. Gu Jufang, Mr. Huang Lei, Mr. Jiang Caijun and Mr. Fan Yaqiang; one non-executive Director, namely Mr. Gu Yao; and three independent non-executive Directors, namely Mr. Fan Peng, Mr. Guan Dongtao and Ms. Wu Yan.

The biographies of the Directors are set out in the section headed "Directors and Senior Management" of this annual report. A list of the Directors identifying their roles and functions is available on the websites of the Stock Exchange and the Company.

Save as disclosed in this annual report, none of the Directors has any personal relationship (including financial, business, family or other material or relevant relationship) with any other members of the Board and senior management of the Company.

CORPORATE GOVERNANCE REPORT

The Board regularly reviews whether each Director has devoted sufficient time to the discharge of his or her duties and responsibilities and the contribution he or she has made to the Company.

The positions of both chairman of the Board and chief executive officer of the Company are held by Mr. Ge alone. The chairman of the Board is primarily responsible for coordinating and leading the work of the Board and ensuring the effective operation of the board. The chief executive officer is responsible for the overall business development and day-to-day operations of the Group. The reasons why the roles of chairman and chief executive officer are held by the same person are explained in the sub-section headed “Corporate Governance Practices” in this annual report.

Responsibilities

The Board is responsible for supervising the overall management, overseeing our strategic planning and monitoring business and performance, as well as exercising other powers, functions and duties as conferred by the Articles. The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Group, and the training and continuous professional development of Directors and senior management of the Company. The Board also reviews the disclosures in this Corporate Governance Report to ensure compliance.

The Board has delegated the authority and responsibility for day-to-day operation of the Group to the executive Directors and senior management of the Company. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate. To oversee particular aspects of the Company’s affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. The Board has also established a special team dedicated to the work of Environmental, Social and Governance (ESG), which carries out its work in accordance with its terms of reference.

The Company has put in place a mechanism to ensure that the Board can always obtain independent views and perspectives. All Board members have separate and independent access to the Company’s senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Company’s expense upon their request.

The senior management is responsible for the day-to-day management and operation of the Group.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

As regards to the code provision C.1.4 of part 2 of the CG Code requiring directors to disclose the directorships and number and nature of offices they are concurrently holding at other companies or organizations, and other significant external time commitments as well as those identity to the issuer, the Directors have agreed to disclose the information and any subsequent change to the Company in a timely manner.

CORPORATE GOVERNANCE REPORT

Independence of Independent Non-executive Directors

During the Reporting Period, the Company has been in compliance with the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

Each independent non-executive Director should inform the Company as soon as possible if there is any change of circumstances which may affect his/her independence pursuant to Rule 3.13 of the Listing Rules. No such notification was received by the Company during the Reporting Period. As of 31 December 2025, each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules, which has been reviewed and confirmed by the Nomination Committee. The Company considers all of them are independent under these independence criteria and are capable of effectively exercising independent judgment.

The Company should also generally not grant any equity-based remuneration with performance-related elements to independent non-executive Directors.

Board Diversity

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a Board diversity policy to ensure that the Company will, when determining the composition of the Board, consider Board diversity in terms of, among other things, gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge, relationship with other Board members and length of service. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy. The Board has reviewed the policy on board diversity during the Reporting Period. The Company is of the view that the Board satisfies the board diversity policy and complies with the requirements under Rule 13.92 of the Listing Rules during the Reporting Period. The measurable objective of the Company's board diversity policy is to ensure that there is at least one Director of a different gender and to increase the proportion of female Directors over time on condition that the overall quality of the Board and the time that Directors devote to the Company will not be affected. As of 31 December 2025, the Company had two female Directors and seven male Directors, thus achieving the measurable objective.

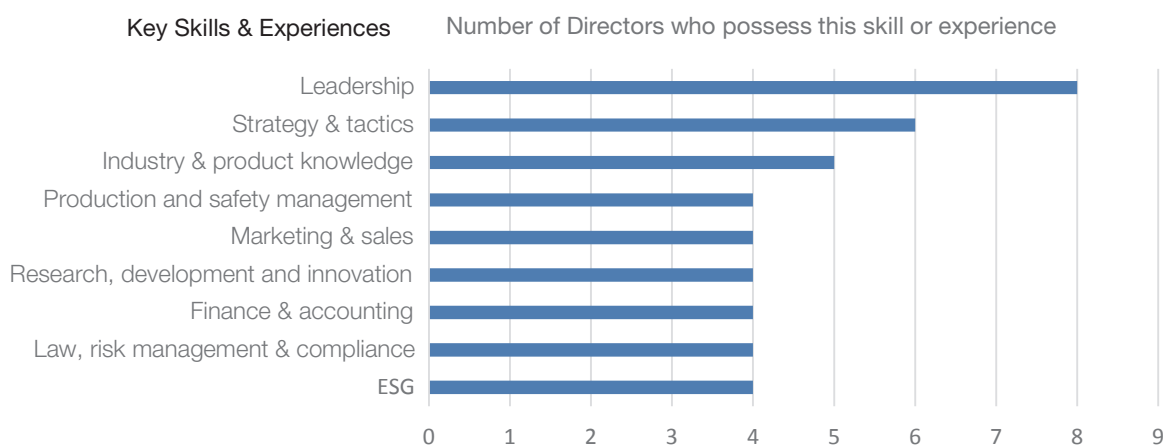
As at the date of this annual report, the Board comprises 9 Directors (2 of whom are female) including 3 independent non-executive Directors. One-third of these Directors are independent of the management, thereby promoting critical review and control of the management process.

CORPORATE GOVERNANCE REPORT

Board Skills Matrix

The Company has made the following Board skills matrix based on the current composition of the Board. The Nomination Committee reviews the Board skills matrix annually to ensure that the Board consistently possesses the skills and experiences required to perform its duties effectively.

Board Skills Matrix



Workforce Gender Diversity

The Board currently has two female Directors. The current female representation at Board level is approximately 22.2%.

We will also ensure that gender diversity is considered when recruiting staff from mid to senior level, and we are committed to provide career development opportunities for female staff so that we will have a pipeline of female senior management and potential successors to our Board in near future.

The Company plans to offer all-rounded trainings to female employees whom we consider to have the suitable experiences, skills and knowledge of our operation and business, including but not limited to, business operation, accounting and finance, legal and compliance and research and development.

As at 31 December 2025, the gender ratio in our workforce (including senior management) for male and female employees were 60.3% and 39.7%, respectively, the details of which have been disclosed in the section headed "Environmental, Social and Governance Report" of this annual report. The female gender ratio in the workforce is relatively low in general in the chemical manufacture industry which the Group operates. The Group will continue to implement special welfare policies for female employees to comprehensively safeguard the legitimate rights and interests of female employees, and strive to continuously raise female gender ratio in the workforce on condition that the operational needs are satisfied and the work efficiency is ensured.

CORPORATE GOVERNANCE REPORT

In order to optimise the corporate governance structure, foster a diverse and inclusive workplace environment, fulfil our corporate social responsibility and support the Company's sustainable development, we have formulated an "Employee Diversity Policy". This policy stipulates that the workforce as a whole should maintain comprehensive diversity in terms of gender, age, cultural background, professional skills, leadership abilities, innovative capabilities and industry experiences; In all aspects of recruitment, job placement, remuneration, promotion and demotion, training and development opportunities, employees shall not be subject to discrimination on the grounds of gender, race, skin colour, religion, household registration, marital status or other lawful status; in their daily work, all employees shall coexist harmoniously, ensuring that no workplace harassment or bullying shall occur due to the aforementioned factors.

Directors' Training and Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of our operations and businesses. The Company also provides Directors with briefings and updates on the latest development and changes regarding the Listing Rules and other applicable regulatory requirements from time to time. The Directors are also provided with regular updates on our performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

In compliance with the code provision C.1 of part 2 of the CG Code, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the Reporting Period, all directors attended a training course provided by the Company's Hong Kong legal advisers in October 2025 on the latest requirements of the Stock Exchange's updated Listing Rules, effective from 1 July 2025 and the accompanying Corporate Governance Code.

A summary of trainings received by the Directors for the Reporting Period is as follows:

Name of Directors	Attending in-house training dated 30 October 2025
<i>Executive Directors</i>	
Mr. Ge	✓
Ms. Gu	✓
Mr. Huang Lei	✓
Mr. Jiang Caijun	✓
Mr. Fan Yaqiang	✓
<i>Non-Executive Director</i>	
Mr. Gu Yao	✓
<i>Independent Non-Executive Directors</i>	
Mr. Fan Peng	✓
Mr. Guan Dongtao	✓
Ms. Wu Yan	✓

CORPORATE GOVERNANCE REPORT

Appointment and Re-election of Directors

Each of the executive Directors, non-executive Director and independent non-executive Directors has signed a service contract or an appointment letter with the Company for a term of three years, which may be renewed in accordance with the Articles of Association and the applicable Listing Rules, subject to termination as provided in the service contract or appointment letter.

The appointments of executive Directors, non-executive Director and independent non-executive Directors are subject to the provisions of retirement and rotation of the Directors under the Articles of Association and the applicable Listing Rules.

None of the Directors has a service contract or appointment letter which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation and shall be eligible for re-election and re-appointment provided that every Director shall be subject to retirement by rotation at least once every three years at every annual general meetings of the Company and any new Director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by Shareholders at the next general meeting of the Company after appointment. Accordingly, each of the retiring Directors, Mr. Fan Peng, Mr. Guan Dongtao and Ms. Wu Yan, being eligible, offers himself/herself for re-election at the AGM.

Anti-corruption Policy

The Company has also established policies and systems that promote and support anti-corruption laws and regulations. We require our employees to follow our employee manual and code of business conduct and ethics, which contains internal rules and guidelines regarding best commercial practice, work ethics, fraud prevention mechanisms, negligence and corruption. We also carry out regular on-the-job anti-corruption and compliance trainings to our senior management and relevant employees to maintain a healthy corporate culture and enhance their compliance perception and responsibility. Our staff can anonymously report any suspected corruption incident to the Company. During the Reporting Period and up to the date of this annual report, we were not aware of any bribery incident by our employees in relation to our customers.

The anti-corruption policy is reviewed and updated periodically to align with the applicable laws and regulations.

CORPORATE GOVERNANCE REPORT

Whistle-blowing Policy

The Company has established a whistle-blowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, with the Audit Committee or the Board about possible improprieties in any matter related to the Company. The whistle-blowing policy is reviewed annually by the Audit Committee to ensure its effectiveness.

No incident of fraud or misconduct that have material effect on the Group's financial statements or overall operations during the Reporting Period has been discovered or identified.

Nomination Policy

In order to nominate suitable candidates to the Board for it to consider and make recommendations to Shareholders for election at general meetings, the secretary of the Nomination Committee shall call a meeting with the list and information of the candidates. For proposing candidates to stand for election at a general meeting, a circular which contains the names, brief biographies, independence, proposed remuneration and any other information as required pursuant to the applicable laws and regulations, will be sent to the Shareholders. Other than the nomination recommended by the Board for election, the Shareholders can serve a notice in writing of the intention to propose that certain person for election as a Director within the lodgment period. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Nomination Committee has the discretion to nominate any person as it considers appropriate and in assessing the suitability of a proposed candidate, the criteria as set out below will be used as reference.

- Reputation and integrity;
- Experience in the directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas;
- Commitment in performing the duties as a director and a member of the Board committees (if applicable); and
- Board diversity, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge, relationship with other Board members, length of service, and the potential contributions that can be brought to the Board.

CORPORATE GOVERNANCE REPORT

Board Meetings

The Company intends to hold Board meetings regularly at approximately quarterly interval, at least four times a year. A notice will be given not less than 14 days for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting, and reasonable notice will be given for all other Board meetings. A Director may attend the Board meetings in person, or appoint another Director in writing as his/her alternate director to attend the Board meeting. The joint company secretaries of the Company are responsible for preparing and keeping the documents and records of Board meetings. Draft minutes and final versions of each Board meeting and Board committee meeting will be sent to all Directors or committee members for their comments within a reasonable time after the date on which the meeting is held.

In addition, in order to facilitate open discussion with all independent non-executive Directors, the chairman of the Board had held a meeting with all the independent non-executive Directors without the presence of other Directors in accordance with the code provision C.2.7 of part 2 of the CG Code during the Reporting Period.

For the Reporting Period, 4 Board meetings and 1 general meeting as well as meetings of the various Board committees were held, and the attendance record of each Director is set out in the table below:

Name of Directors	Attendance/Number of Meetings				
	Board	Nomination Committee	Remuneration Committee	Audit Committee	General meeting(s)
Mr. Ge	4/4	2/2	N/A	N/A	1/1
Ms. Gu	4/4	N/A	2/2	N/A	1/1
Mr. Huang Lei	4/4	N/A	N/A	N/A	1/1
Mr. Jiang Caijun	4/4	N/A	N/A	N/A	1/1
Mr. Fan Yaqiang	4/4	N/A	N/A	N/A	1/1
Mr. Gu Yao	4/4	N/A	N/A	N/A	1/1
Mr. Fan Peng	4/4	N/A	N/A	3/3	1/1
Mr. Guan Dongtao	4/4	2/2	2/2	3/3	1/1
Ms. Wu Yan	4/4	2/2	2/2	3/3	1/1

CORPORATE GOVERNANCE REPORT

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its rules governing dealings by the Directors in the listed securities of the Company. During the Reporting Period, having made specific enquiry to all Directors, all Directors have confirmed that they have fully complied with the required standards set out in the Model Code.

The Directors have also requested any employee of the Company or director or employee of any subsidiary of the Company who, because of his office or employment in the Company or any subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he/she would be prohibited from dealing by the Model Code as if he/she were a Director. The Company is not aware of any incidents of non-compliance with this requirement by any Director or employee of the Company or any director or employee of any subsidiary of the Company during the Reporting Period and up to the date of this annual report.

Service Contract of Directors and their term of office

Each of the Directors (including executive directors, non-executive directors and independent non-executive directors) has entered into a service contract or an appointment letter with the Company pursuant to which each of them has agreed to act as Director for a fixed term of three years commencing from their respective date of appointment, which may be renewed in accordance with the Articles of Association and the applicable Listing Rules, unless terminated by either party thereto giving not less than one month's prior written notice.

Save as aforesaid, none of the Directors has or is proposed to have a service contract or an appointment letter with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

BOARD COMMITTEES

The Board is supported by three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Each Board committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are respectively available on the websites of the Stock Exchange and the Company.

All Board committees are provided with sufficient resources to discharge their duties, including access to management or independent professional advice if considered necessary.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Audit Committee comprises three members, namely Mr. Guan Dongtao (chairman), Mr. Fan Peng and Ms. Wu Yan, all being independent non-executive Directors. The Audit Committee is chaired by Mr. Guan Dongtao, who possesses appropriate accounting qualifications as required under Rule 3.10(2) of the Listing Rules.

The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and dismissal of the external auditors, monitor and review the financial statements and information and oversee the financial reporting system, risk management and internal control systems of the Company.

During the Reporting Period, three Audit Committee meetings were held, which mainly reviewed, among other things, the Company's annual and interim results and their respective reports, the internal control and risk management systems of the Group and the re-appointment of independent auditor of the Group.

Remuneration Committee

The Remuneration Committee comprises three members, including two independent non-executive Directors, namely Ms. Wu Yan (chairwoman), Mr. Guan Dongtao; and one executive Director, namely Ms. Gu Jufang.

The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure for all Directors and senior management of the Company, to review remuneration and ensure none of the Directors determine their own remuneration, and to review and/or approve matters relating to the Share Option Scheme pursuant to Chapter 17 of the Listing Rules.

The major objective of our remuneration policy is to develop and review the remuneration package of individual Director and senior management of the Company with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management, goals and objective of the Company, and recommend the remuneration proposals to the Board and ensure that no Director or any of their associates was involved in regard to the relevant resolution approving their own remuneration.

During the Reporting Period, two Remuneration Committee meetings were held to review the remuneration package of the Directors and the senior management.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Nomination Committee currently comprises three members, including one executive Director, namely Mr. Ge Xiaojun (chairman); and two independent non-executive Directors, namely Ms. Wu Yan and Mr. Guan Dongtao.

The primary duties of the Nomination Committee are to review the structure, size, composition and diversity of the Board at least annually; to review annually whether Directors have committed adequate time to discharge their responsibilities; to review annually the Company's policy on all-employee diversity and the implementation thereof, and make recommendations to the Board where necessary; to participate in the regular evaluation of the Board's performance; to assist the Board in formulating and maintaining a board skills matrix; and to make recommendation to the Board regarding the nomination of candidates to fill vacancies on the Board and/or in senior management of the Company.

During the Reporting Period, two Nomination Committee meetings were held, which mainly reviewed the structure, size, diversity and composition of the Board, reviewed the independence of independent non-executive Directors, and recommended the re-election of retiring Directors.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions as set out in provision A.2.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, and the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and the disclosures in this Corporate Governance Report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration of the Directors and senior management of the Company are set out in notes 7 and 8 to the consolidated financial statements in this annual report.

The remuneration to Directors is subject to the Shareholders' approval at the general meeting. The emoluments payable to the Directors and senior management of the Company are determined by the Board with recommendations of the Remuneration Committee, their respective contractual terms under their service contracts or appointment letter, having regard to their performance, the Group's operating results and comparable market statistics. No Directors, or any of their respective associates, was involved in regard to the relevant resolution approving their own remuneration.

Remuneration paid to each of the Directors and the members of the senior management of the Company for the Reporting Period is less than HK\$1,000,000. Each of our five executive Directors signed in 2019 an agreement with the Company as a supplemental agreement to the existing executive Directors' service contract, which states that the executive Director shall not receive any Director's fee during the term of office (including re-elected term of office).

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES FOR FINANCIAL REPORTING

The Board acknowledges its responsibility for preparing the financial statements for the Reporting Period which give a true and fair view of the affairs, results and cash flows of the Group.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put forward to the Board for approval. The Company has provided all members of the Board with monthly updates on the Company's performance, positions and prospects.

To the best knowledge of the Directors, there are no material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue operation as a going concern.

The statement by KPMG, our external auditors, regarding their reporting responsibilities on the consolidated financial statements of the Group is set out in the section headed "Independent Auditor's Report" of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Company has established internal audit function and risk management and internal control systems with relevant policies and procedures that we believe are appropriate for our business operations. The Group's risk management and internal control systems are designed to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives. We will continuously monitor and evaluate our business and take measures to protect the interest of the Group and the Shareholders. The Board oversees and manages the risks associated with our business. The Audit Committee is responsible for reviewing and supervising our financial reporting process and internal control system. The Board has reviewed the effectiveness of the risk management and internal control system of the Group for the Reporting period to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards.

CORPORATE GOVERNANCE REPORT

In order to improve our corporate governance and to prevent the recurrence of non-compliance incidents in the future, we have adopted a series of internal control policies, procedures and programs designed to provide reasonable assurance for achieving objectives such as effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control systems include the following:

- We provided the Directors with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties;
- We adopted various policies to ensure compliance with the Listing Rules, including those in relation to risk management, continuing connected transactions and inside information disclosure;
- We implemented internal control policies in relation to financial management;
- We implemented a series of internal rules and regulations in relation to our business operations, including those in relation to the management of our quality control, sales and marketing, production, procurement, research and development, human resources and information technology systems;
- We implemented relevant policies in relation to our social insurance fund and housing provident fund to ensure compliance; and
- We have implemented an anti-corruption & fraud system and a whistle-blowing system. We require relevant employees to sign a pledge against commercial bribery and corruption, and provide our staff with annual anti-corruption training.

The Board acknowledges that it is the responsibility of the Board for maintaining adequate internal control and risk management systems to protect the Shareholders' investments and the Company's assets and review the effectiveness of such systems on semi-annual basis. The Board also regularly reviews and assesses the risk status and the changes in the nature and extent of significant risks of the Group in terms of governance structure, strategy, operation (covering sales, cost control, production, quality control, research and development, innovation, safety, environmental protection and employee health protection, etc.), finance (covering financial management systems, funds and their liquidity, inventory, foreign exchange and taxation, etc.), ESG (Environmental, Social & Governance), personnel, legal and compliance, etc.

The Board has reviewed and considers that the existing internal audit function and the internal control and risk management systems of the Company are reasonably effective and adequate during the Reporting Period.

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITORS

KPMG has been appointed as the external auditors of the Company. The Audit Committee has been notified of the nature and the service charges of the non-audit services performed by KPMG and considered that such services have no adverse effect on the independence of the external auditors.

The remuneration paid to the external auditors of the Company, KPMG, in respect of audit and non-audit services provided to the Group during the Reporting Period was analyzed below:

Service category	Fees RMB
Audit services	
– audit services on financial statements of the Group	888,000
Non-audit services	
– tax compliance services	29,000
	<hr/>
	917,000

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors under the annual review.

JOINT COMPANY SECRETARIES

Mr. Tan Qian (談前) (“**Mr. Tan**”) is one of the joint company secretaries of the Company. Ms. Yu Anne (余安妮) (“**Ms. Yu**”), an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited, is the other joint company secretary of the Company. Both of the joint company secretaries are responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures as well as the applicable laws, rules and regulations are followed. Mr. Tan, the other joint company secretary, is the primary corporate contact person of the Company for Ms. Yu.

Both Mr. Tan and Ms. Yu have complied with the relevant professional training requirement of taking not less than 15 hours of professional training under Rule 3.29 of the Listing Rules during the Reporting Period.

CORPORATE GOVERNANCE REPORT

CONVENING EXTRAORDINARY GENERAL MEETINGS

Pursuant to the Articles of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company. Shareholders could use the same way of convening an extraordinary general meeting as above to put forward proposals in detail at general meetings.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has arranged appropriate Directors and officers liability insurance which covers the corresponding costs, charges, expenses and liabilities for any legal action against them arising out of our corporate activities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY AND PERFORMANCE

The Group lays great importance on safety, environmental protection, employees' occupational health and sustainable development. Through continuous upgrading of relevant facilities and improvement of management, the Group have been doing well in safe production, energy saving, emission reduction and cutting material consumption. The Group strictly complies with the requirements of Environmental, Social and Governance Reporting Guide set out in Appendix C2 to the Listing Rules. The information on the Group's environmental, social and governance policies and performance during the Reporting Period is set out in the section headed "Environmental, Social and Governance Report" of this annual report.

COMMUNICATION WITH SHAREHOLDERS

The Group is committed to enhancing long-term shareholder value through regular communication with its Shareholders, both individual and institutional. To this end, the Group strives to ensure that all Shareholders have ready and timely access to all publicly available information of the Group. The Group's Shareholders Communication Policy, which is reviewed on a regular basis, sets out the framework the Company has put in place to promote effective communication with Shareholders so as to enable them to engage actively with the Company and exercise their rights as Shareholders in an informed manner.

CORPORATE GOVERNANCE REPORT

The principal means by which information is made available to Shareholders and the investors are the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, all information disclosed on the websites of the Stock Exchange and the Company, including various announcements, financial reports, circulars, notices of general meetings and relevant explanatory documents, etc. Shareholders and investors may also contact the Company individually by telephone or e-mail to ask questions or request for publicly available information and to provide comments and suggestions.

The AGM provides an opportunity for the Shareholders to communicate directly with the Directors. The chairman of the Board and the chairman/chairwoman of the Board committees will attend the AGM to answer Shareholders' questions. The auditor will also attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

Shareholder communication has been effective during the Reporting Period as Shareholders can raise questions to the Directors at the AGM and contact details are available for Shareholders to contact the Company directly. The Board reviewed the implementation and effectiveness of the Shareholders Communication Policy and the results were satisfactory.

The Group attaches great importance to the protection of Shareholders' privacy and will not disclose Shareholders' information without their prior consent, except as required by law.

CONSTITUTIONAL DOCUMENTS

During the Reporting Period, there had been no changes in the constitutional documents of the Company.

INVESTOR RELATIONS

The Company has maintained corporate transparency and communications with the Shareholders and the investment community through timely distribution of announcements and/or other publications. The Company's website provides an effective communication platform for Shareholders, stakeholders and potential investors to keep abreast of the latest developments of the Company and the market.

ENQUIRIES TO THE BOARD

The Company encourages Shareholders to attend Shareholders' meetings and make enquiries to the Company by either directly raising questions to the Board and Board Committees at the general meetings or sending written notice of such enquires to the principal place of business and headquarters of the Company in PRC at No.16 West Kaixuan Road, Economic Development Zone, Yixing, Jiangsu, the PRC (phone number: +86 510 87821777; fax: +86 510 87869777; email address: 2116@jscxsh.cn).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This report provides a summary of the performance in the environmental, social and governance aspects of the Group in the year of 2025. This report is prepared in accordance with the Environmental, Social and Governance Reporting Code under Appendix C2 of the Listing Rules.

Reporting Standards

Through repeated discussions within the Group and direct communication with stakeholders, we acquaint ourselves with the core concerns of stakeholders, identify important environmental, social and governance factors, and thereby develop related strategies, objectives, plans and measures to promote the sustainable development of our business. The key performance indicators (KPIs) in this report are made in accordance with the related calculation standard and methods provided in the Environmental, Social and Governance Reporting Code under Appendix C2 of the Listing Rules. The calculation methods and the coverage thereof are consistent with that of last year's report, and have been so made as to avoid such choices, omissions or presentation formats that might inappropriately influence readers' decisions or judgments.

Scope

This report covers the Group's business operations for the year beginning on January 1, 2025 and ending on December 31, 2025, and summarizes the Group's overall performance in environmental protection, employee protection, work safety, and fulfillment of social responsibilities. In the view that oil refining agents and fuel additives constitute all of our operating income sources and belong to the same industry, this report covers the Company and all of its subsidiaries. Unless otherwise stated, the information contained in this report is derived from the Group's files and statistical reports, and the monetary amounts involved are denominated in RMB.

Statement of the Board

The Group has always integrated environmental, social and governance (“**ESG**”) matters into its core strategy and ensures that positive environmental and social effects are prioritized in its daily operations. In recent years, the board of directors of the company (the “**Board**”) has redefined the mission and culture of the Company, making “To lay priority on safety, waste not, and keep building a green enterprise” the cornerstone of our corporate culture, and is now actively carrying out the related practical measures. Looking ahead, the Group will continue to maintain and strengthen its environmental protection efforts and work towards achieving the Sustainable Development Goals.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As a chemical enterprise, safety is always the lifeline of the Group. The Group strives to achieve the goal of zero safety incidents and casualties in both the short and long term through continuous improvement of safety facilities and management systems, and do best to prevent the occurrence of occupational diseases. In response to climate change, the Board will give our ESG team more powers and resources to oversee and coordinate the Group's strategy, investments and day-to-day operational activities.

In terms of environmental protection, the Group will further strengthen its management strategies for energy saving, consumption reduction, resource recycling & reuse, striving to achieve a year-on-year decrease in energy consumption, water use, exhaust gas emissions, greenhouse gas emissions and waste generation in proportion to our products output, and ultimately maximize economic benefits with minimal resource inputs. In addition, the Group will make long-term investment in the research & development of more oil refining agents and fuel additives, so as to help the oil refining industry and the transportation industry reduce emissions and thereby actively contribute as much as possible to environment protection and climate change response, and assisting our country in achieving its carbon peaking and carbon neutrality targets.

In addition, the Group pays close attention to the needs of the poor people in the surrounding communities and the regions where natural disasters happen, makes timely charitable donations to the best of its ability, and actively fulfills its social responsibilities.

The Group has set up a dedicated Environmental, Social and Governance (ESG) team (the “**ESG Team**”), which is fully responsible for identifying, determining and assessing the Group's risks and opportunities relating to ESG and reporting to the Board on a regular basis. The ESG Team consists of totally about 8-10 persons, including an executive director and the relevant department managers or the person in a department with job functions relating to ESG. The executive director of the ESG Team is an executive director of the Company and the secretary of the ESG Team is a company secretary of the Company. The executive director of the ESG Team is to be appointed and removed by the Board, and other members of the ESG team are to be appointed and replaced by the executive director and then filed with the Board for record. In 2025, the Board revised the terms of reference of the ESG Team, granting it greater authority and resources to address climate change. Following the revision, the ESG Team is empowered to oversee and ensure that the Group's environmental, social and corporate governance initiatives align with sustainability principles; manage climate-related risks and opportunities; and assist the Board in achieving the Group's low-consumption, low-carbon operations and the ongoing development of a green enterprise. Furthermore, the Group's management shall ensure that the views and recommendations of the ESG Team are fully sought and considered when formulating or adjusting the Group's overall strategy. The ESG Team has the authority to propose vetoes or amendments regarding the Group's major investment decisions and proposed projects that involve climate-related risks and opportunities. Furthermore, the ESG Team has the authority to request all departments of the Group to provide information and data concerning climate-related risks and opportunities, and to participate in relevant activities.

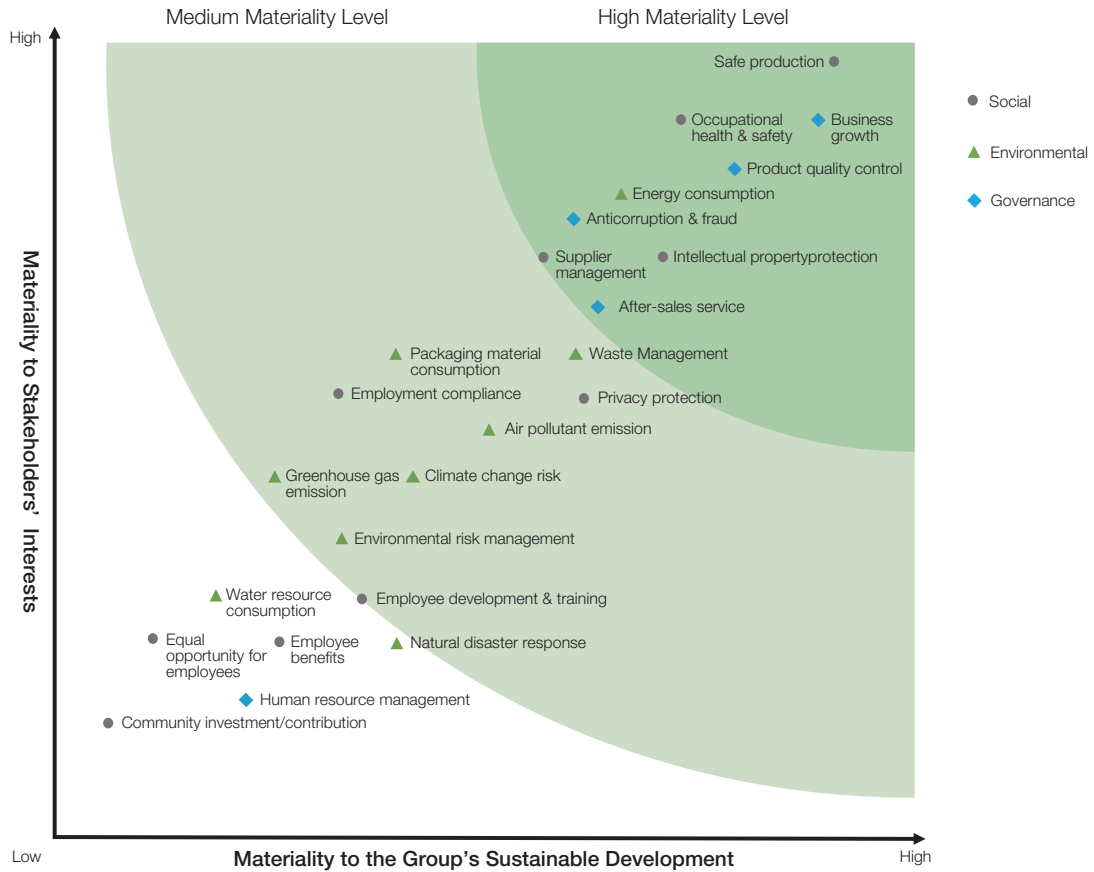
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The functions of the ESG Team include: (1) identifying, determining and assessing the Group's risks and opportunities relating to ESG and reporting to the Board; (2) ensuring that there are effective risk management and internal control systems in place to manage ESG risks and opportunities, including climate-related risks and opportunities; (3) identifying, assessing and determining ESG issues of importance to the Group's operations or stakeholders' interests; (4) making recommendations to the Board on the allocation of resources in ESG plans; (5) developing and establishing ESG policies and procedures to guide the implementation of relevant ESG plans; (6) reviewing the Group's ESG policies and procedures to ensure that they are effective and fit for purposes; (7) monitoring and reviewing the Group's operations to ensure that they comply with relevant ESG policies and procedures as well as applicable laws and regulations and international standards; (8) overseeing the implementation of the Group's ESG strategy and plans; (9) setting relevant targets to measure the achievements of ESG plans and developing continuous improvement plans for ESG performance; (10) measuring and evaluating the Group's performance against the ESG targets and reporting to the Board, and making recommendations on necessary actions to improve performance; (11) ensuring that adequate trainings relating to ESG are provided to relevant employees; (12) overseeing the stakeholder engagement and materiality assessment procedures to ensure effective communication and relationship with stakeholders and also to maintain the Group's reputation.

In order to better coordinate the stakeholders' wishes with the Group's sustainable development objectives, further define the management focus of the Group's ESG work and implement the Group's sustainable and high-quality development strategy, the Board has formulated relevant ESG materiality issues with reference to the Environmental, Social and Governance Reporting Code under Appendix C2 of the Listing Rules and discussed and ranked the materiality of the relevant issues with the Group's managerial staff and ordinary employees and the key stakeholders, thereby we worked out the practical matrix of our ESG materiality issues, which serves as the basis for our annual ESG development strategy and the preparation of the ESG report.

The Board has identified issues of high materiality, including safe production, business growth, occupational health & safety, product quality control, energy consumption, anticorruption & fraud, supplier management, intellectual property protection and after-sales service; issues of moderate importance, including packaging material consumption, waste management, employment compliance, privacy protection, air pollutant emission, climate change risk, greenhouse gas emission, environmental risk management, employee development & training, and natural disaster response.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Matrix of ESG materiality issues of the Group for 2025

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company established three-year environmental targets in 2024, aiming to reduce the overall density of energy consumption, water consumption, exhaust emissions, greenhouse gas emissions and waste generation by approximately 3% over a three-year period. As of the Reporting Period, progress towards these targets is proceeding in an orderly manner, with reductions in energy consumption density and water consumption density having already met expectations ahead of schedule. Compared to 2024, energy consumption density decreased by approximately 13% and water consumption density by approximately 30% in 2025. Due to factors such as revenue growth, exhaust gas emission density and greenhouse gas emission density rose slightly in 2025; however, the Group as a whole continues to steadily advance the implementation of its emission reduction targets in accordance with the established roadmap. Progress towards the aforementioned targets will be tracked through quantitative indicators, and the Board will conduct annual statistical analysis, evaluation and dynamic adjustments. In its business operations and corporate management, the Group will continuously promote and practise the corporate culture of “To lay priority on safety, waste not, and keep building a green enterprise”. Through various forms of education, training and assessment, we will continuously enhance employees’ awareness and commitment to energy conservation and consumption reduction, strengthen the recycling or reuse of packaging materials, and actively carry out technical improvement initiatives to identify potential for reducing material and energy consumption. At the same time, we will strive to achieve 100% first pass yield of our products to avoid waste of raw materials, while ensuring the quality of our products and minimizing costs. The Group will make long-term investments to research and develop more oil refining agents and fuel additives, so as to help the oil refining industry and the transportation industry reduce resource consumption and emission and thereby contribute as much as possible to environmental protection and climate change response as well as assisting our country in achieving its carbon peaking and carbon neutrality targets.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. ANALYSIS OF ENVIRONMENTAL PERFORMANCE OF THE GROUP

The Group is primarily engaged in the development, production and sale of oil refining agents and fuel additives, of which oil refining agents include desulfurizers, metal passivators, corrosion inhibitors, anti-scaling agents, etc., fuel additives include diesel lubricity improver, gasoline stability additives, etc. These series of oil refining agents and fuel additives are intended for effectively reducing harmful emissions, enhancing the efficiency of the oil refining process, inhibiting equipment corrosion, extending equipment service life, improving engine combustion efficiency, reducing exhaust emissions, and thereby realizing the full use of resources and environmental protection and conforming to the increasingly stringent national environmental protection regulations. In response to our country's call to improve fuel quality and reduce harmful exhaust emissions and to protect the environment, the Group has successfully developed a new-type automotive gasoline detergent (carbon deposit remover) by utilizing the funds raised in the capital market. This product is able to keep the engine's fuel supply and combustion systems clean and lubricated to ensure optimal engine performance, thereby reducing fuel consumption and emissions. The Group is committed to environmentally friendly production, actively advocating energy saving and carbon reduction, and strictly abides by the international standards of the "Quality Management System", the "Environmental Management System" and the "Occupational Health and Safety Management System". Throughout the whole course of raw material procurement, control of the production process and the delivery of the products, we implement stringent quality monitoring and management on each and every link, so as to ensure that the "high standard and strict requirement" principle is always followed in the Group's work relating to safe production and environmental protection.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group takes scientific and technological innovation as its core driving force to promote green and low-carbon development. The Group continuously strengthens the construction of technological innovation system and consolidates its leading position in the field of oil refining agents and fuel additives, and provides solid technological support for the development of the modern industrial system as well as the goal of building environmentally friendly enterprises. Due to our outstanding technological innovation ability and industrial contributions, the Group was once again awarded the certificate of “High and New Technology Enterprise” jointly by the Department of Science and Technology of Jiangsu Province, the Department of Finance of Jiangsu Province and the State Administration of Taxation Jiangsu Bureau, and was certified in 2023 as a “Specialized, Refined and Innovative Small or Medium-Sized Enterprise of Jiangsu Province” by the Department of Industry and Information Technology of Jiangsu Province. Both certificates are valid for three years.



The Group was once again awarded the certificate of “High and New Technology Enterprise”



The Group passed the certification of “Specialized, Refined and Innovative Small or Medium-Sized Enterprise of Jiangsu Province”

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.1 OVERVIEW OF RELEVANT ENVIRONMENTAL PROTECTION POLICIES IN KEY BUSINESS AREAS

Policies and Regulations	Date of issuance and Issuer	Main content
Action Plan for the Comprehensive Management of Solid Wastes	27 December 2025, State Council	Aims to focus on source reduction, full-process control, resource recovery, safe disposal and special rectification of solid wastes; to improve regulatory standards and policy safeguards; and to set interim targets for 2030, including the annual comprehensive utilisation volume of bulk solid wastes and the annual recycling volume of major renewable resources.
“Pilot Certification Catalogue for Product Carbon Footprint Labelling and Certification (First Batch)”	27 June 2025, General Office of the State Administration for Market Regulation, General Office of the Ministry of Ecology and Environment, General Office of the Ministry of Industry and Information Technology	Aimed at advancing the pilot scheme for product carbon footprint labelling and certification, the first batch of the catalogue was released, covering lithium batteries, photovoltaic modules, steel, cement, electrolytic aluminium, tyres, certain electronic and electrical appliances, and wood products, providing a catalogue basis for subsequent unified calculation and certification implementation.
Energy Law of the People’s Republic of China* (中華人民共和國能源法)	8 November 2024, Standing Committee of the 14th National People’s Congress	It aims to promote the high-quality development of energy, promote the transition to green and low-carbon energy, and support the realization of the goal of carbon peak and carbon neutrality. The law confirms the direction of energy structure adjustment and encourages the development and utilization of clean energy and renewable energy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Policies and Regulations	Date of issuance and Issuer	Main content
Action Plan on Energy Conservation and Carbon Reduction for Years 2024-2025* (2024-2025年節能降碳行動方案)	23 May 2024, the State Council	It aims to promote a comprehensive green transformation of the economy and society through special actions to save energy and reduce carbon emissions. The program sets clear emission reduction targets, including reducing energy consumption and carbon dioxide emissions per unit of GDP by 2.5% and 3.9% respectively in 2024, and proposes a target of reaching 18.9% of non-fossil energy consumption by the end of 2025. In addition, the program emphasizes energy saving and carbon reduction in the construction industry, low-carbon transformation of the transportation industry, and energy-saving management of public institutions.
Opinions on Accelerating the Establishment of a Product Carbon Footprint Management System* (關於加快建立產品碳足跡管理體系的意見)	13 November 2023, National Development and Reform Commission, Ministry of Industry and Information Technology, State Administration for Market Regulation, etc.	By 2025, the national level government will issue about 50 rules and standards for carbon footprint accounting for key products; the carbon footprint background database will be initially completed for a number of key industries; the national product carbon labeling certification system will be basically established; the application scenarios of carbon footprint accounting and labeling in the fields of production, consumption, trade and finance will be significantly expanded; the carbon footprint accounting rules, standards and carbon labeling of a number of key products will have been mutually recognized internationally.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Policies and Regulations	Date of issuance and Issuer	Main content
National Climate Change Adaptation Strategy 2035* (國家適應氣候變化戰略2035)	7 June 2022, Ministry of Ecology and Environment, National Development and Reform Commission, Ministry of Science and Technology, etc.	By 2035, a climate-resilient society will be basically completed. Specific measures are proposed in four areas: strengthening climate change monitoring and warning and risk management, enhancing the capacity of natural ecosystems to adapt to climate change, strengthening the capacity of economic and social systems to adapt to climate change, and building a regional pattern of adaptation to climate change.
Guidance on Coordinating and Enhancing the Work Related to Climate Change and Ecology Environment Protection* (關於統籌和加強應對氣候變化與生態環境保護相關工作的指導意見)	11 January 2021, Ministry of Ecology and Environment	By 2030, the overall synergy between climate change prevention and ecology environment protection shall be fully exerted. The ecological and environmental governance system and governance capacity shall be steadily improved, which shall support the fulfillment of the peak carbon dioxide emission target and the prospect of carbon neutrality and help build a beautiful China.
Guiding Opinion on Constructing a Modern Environmental Governance System* (關於構建現代環境治理體系的指導意見)	3 March 2020, the State Council	To implement a pollutant-discharge licensing management system in accordance with the law, to accelerate the legislative process of the regulations on pollutant-discharge licensing management, to improve the pollutant - discharge licensing system, to strengthen the supervision and inspection of enterprises' pollutant-discharge activities, and to well coordinate the relationship between pollutant-discharge licensing and environmental impact assessment system as per the principle of a smooth transition between the old and the new systems.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Policies and Regulations	Date of issuance and Issuer	Main content
Catalog of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources* (固定污染源排污許可分類管理名錄) (2019 Edition)	20 December 2019, Ministry of Ecology and Environment	It requires that 107 industries and four general processes be subject to discharge permit management. It also requires that in addition to these industries, enterprises identified as key pollutant discharge enterprises by relevant environmental protection authorities with discharge amount reaching prescribed standards shall also be subject to discharge permit management.
Law of the PRC on the Prevention and Control of Air Pollution* (中華人民共和國大氣污染防治法) (2018 Revision)	26 October 2018, Standing Committee of the National People's Congress	To protect and improve the environment, prevent and control air pollution, safeguard public health, speed up the construction of ecological civilization, and promote sustainable economic and social development.
Law of the PRC on the Prevention and Control of Soil Pollution* (中華人民共和國土壤污染防治法)	31 August 2018, Standing Committee of the National People's Congress	It proposes to focus on establishing a corresponding legal system, strengthen the environmental supervision on industrial and mining enterprises, and cut off the source of soil pollution to curb the further pollution; to implement classified administration of contaminated lands, establish a technological system to gradually promote risk management and control.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.2 ANALYSIS OF EMISSIONS OF THE GROUP

2.2.1 Analysis of Emission Indicators of the Group

Total amount and density of emission of exhaust gas

The Group's emission of exhaust gas is mainly from the combustion of gasoline and diesel by vehicles. The exhaust gas emitted from combustion of relevant fossil fuels mainly includes pollutants such as nitrogen oxides (NOx), sulfur oxides (SOx) and particulate matter (PM). In 2025, the Group emitted nitrogen oxides of 157.37 kilograms, sulfur oxides of 0.25 kilogram and particulate matter of 14.93 kilograms during the course of its production and operation.

For the year ended 31 December 2025, the Group's amounts and density of exhaust gas emissions are shown in the table below:

Type of exhaust gas	Emissions (Unit: kilograms)	Emission density (Unit: kilograms/ RMB million)
Nitrogen oxides (NOx)	157.37	0.772
Sulfur oxides (SOx)	0.25	0.001
Suspended particulate matter (PM)	14.93	0.073
Total	172.55	0.846

Note: Exhaust emissions mainly include exhaust gases from the Group's own vehicles.

Total amount and density of emission of greenhouse gas

The greenhouse gases emitted by the Group mainly originate from the combustion of fuels in its own vehicles and machinery, as well as greenhouse gas emissions such as carbon dioxide generated from the consumption of electricity in its daily operations. The Group's amount of greenhouse gas emissions consists of two parts: direct emissions, which are greenhouse gases directly released into the atmosphere by the Group's production activities; and indirect emissions, which are mainly greenhouse gas emissions generated from the purchase and use of external electric power. The Group emitted a total of approximately 338.27 tons of carbon dioxide equivalent of greenhouse gases in the year of 2025, with an emission density of 1.66 tons of carbon dioxide equivalent/million RMB.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For the year ended 31 December 2025, the Group's greenhouse gas emissions are shown in the table below:

Type of greenhouse gas	Direct emission (Unit: ton of carbon dioxide equivalent)	Indirect emission (Unit: ton of carbon dioxide equivalent)
Carbon dioxide (CO ₂)	40.45	291.86
Methane (CH ₄)	0.07	0.07
Nitrous oxide (N ₂ O)	4.44	1.38
Total	44.96	293.31

Note: Direct greenhouse gas emissions mainly include the greenhouse gases generated by the Group's own vehicles and equipment. Indirect emissions include greenhouse gas emissions indirectly generated by the Group, such as purchase of electricity, etc.

Total amount and density of discharged wastewater and solid wastes

In the course of its operations, the Group strictly complies with national laws and regulations on the management of pollutant discharge and actively responds to the requirements of the local government's environmental protection policies. In order to ensure the compliance and safety of the discharges, the Group not only continuously holds and regularly renews a valid pollutant discharge license, but also takes a series of proactive measures to strengthen the environmental protection management, including hiring professional wastewater and waste treatment companies with professional qualifications to carry out decontaminating treatment of industrial wastewater and wastes discharged by the Group. Through the implementation of the above measures, the Group has not only ensured the minimization of the impact of its operations on the environment, but also demonstrated the Group's social responsibility and commitment.



The Group always holds a valid pollutant discharge license

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The wastes discharged by the Group mainly include industrial wastewater, waste organic solvents, industrial cleaning articles, used activated carbon and waste paper. In the year of 2025, 600 tons of wastewater was discharged by the Group, with a discharge density of approximately 2.94 tons per million RMB. In the year of 2025, hazardous wastes generated by the Group included 0.97 tons of waste organic solvents, 0.70 tons of industrial cleaning articles and approximately 2.48 tons of used activated carbon; and the non-hazardous waste generated by the Group was 0.34 tons of waste paper. Among them, all industrial wastewater generated by the Group has been delivered to the sewage treatment plant for proper treatment and discharged in compliance with the relevant standard; professional waste treatment companies were engaged by the Group to treat the discharged waste organic solvents, industrial cleaning articles and used activated carbon. During the Reporting Period, the Group adopted transfer orders with traceable numbers and QR codes when handing over wastes to professional waste treatment companies, which allow the Group to view the flow of hazardous wastes in all stages and realize the full-cycle management of hazardous wastes. The Group's office paper is mainly used for submissions to government, contracts with customers and promotional materials to potential customers, among which the use of printed tender documents has decreased significantly as a result of the rapid digitization, and the paper consumption has decreased accordingly. To reduce paper consumption, the Group's internal non-confidential documents was mainly transmitted through WeChat and emails, and paperless office has been implemented. The Group continued encouraging double-sided printing in 2025, and the amount of waste paper generated was 10% of the total paper consumed. The Group also encourages employees to reuse the blank portion of waste paper as scratch paper.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For the year ended 31 December 2025, the Group's waste charge amount and density are shown in the table below:

Type of waste	Amount of discharge (ton)	Density of discharge (ton/RMB million)
Hazardous Liquid Waste	0.97	0.005
Waste Organic Solvents	0.97	
Non-hazardous Liquid Waste	600.00	2.943
Industrial Wastewater	600.00	
Hazardous Solid Waste	3.18	0.016
Industrial Cleaning Supplies	0.70	
Used Activated Carbon	2.48	
Non-hazardous Solid Waste	0.34	0.002
Waste Paper	0.34	
Total	604.49	2.965

Note: Industrial cleaning articles include rags etc. with hazardous materials adhered to them; as the gases adsorbed by the used activated carbon may contain environmentally hazardous substances, the Group categorized them as hazardous wastes from 2023 onwards and handed them over to professional waste treatment companies for treatment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.2.2 Our Emission Reduction Targets and Measures

Emission reduction targets set by the Group and measures implemented

The Group abides by national laws and regulations such as the Environmental Protection Law of the PRC* (中華人民共和國環境保護法), the Law of the PRC on Prevention and Control of Environmental Noise Pollution* (中華人民共和國環境噪聲污染防治法) and the Comprehensive Emission Standards for Air Pollutants* (大氣污染物綜合排放標準), as well as the specific environmental protection and emission requirements of the local government, and has set up a series of corresponding systems to ensure that environmental protection objectives will be realized. These systems include the Management System for Waste Gas, Wastewater, Solid Waste Discharge, which aims to regulate all links of hazardous waste generation, collection, storage and transportation, and to provide special trainings to relevant personnel to enhance their professional competence in environmental protection management.

江苏创新生态有限公司
废气、废水、固体废物排放管理制度

一、目的

为了科学有效标准废水、废气、固废污染物的管理,防治环境污染,改善工作环境,减少三废的产生和对环境的污染,保证员工及厂周群众身体健康,特制定本制度。

二、范围

本制度适用于本公司所有废水、废气、固废的排污单位

三、责任

3.1 安环部防治环保工作的监督、检查和指导,安环部是废水、废气、固废污染防治管理的归口管理部门,防治污染制度,并分解、下达各部门,负责环保指标的考核,负责查核厂内环保动态,并能就相关单位提出技术改良方案,上报上级主管部门。

3.2 各部门防治本部门的生产过程中废水固废的分类、搜集等工作。

3.3 环保部是废水、废气、固废污染防治控制管理的主要管理部门,负责制定全厂各车间外排污水口的监测,负责厂内污染源的日常监测、监测与管理;负责日常监测数据的统计、汇总、上报;负责监督检查环保治理设施是否正常运行,并向上级主管部门汇报。

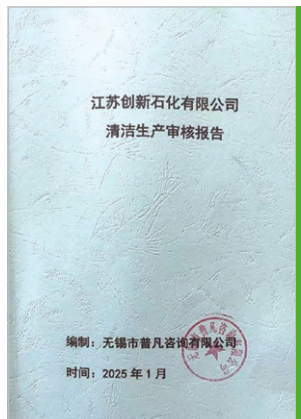
3.4 环保部门负责生产有效过程中的环保管理工作及环保治理设施的正常运行。

3.5 设备部负责环保治理设施的日常维护和管理,保证设备的正常运行。

Management System for
Waste Gas, Wastewater
& Solid Waste Discharge

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The Group actively responded to the voluntary clean production audit and acceptance program sponsored every five years by the Leading Team Office of Wuxi City for Energy Conservation, Emission Reduction & Clean Production Audit, and was granted a Clean Production Audit Certificate. In 2025, the Group successfully passed the audit again. In addition, the Group has engaged a professional organization to conduct tests on noise, wastewater and exhaust gas of the Yixing Plant, and the test reports showed that all the indicators were in compliance with the relevant standards. In addition, the Yixing plant has installed a number of environmental protection online monitoring equipment, including air VOCs monitoring equipment, COD monitoring equipment, etc., which have not found any item out of the standard limits.



Clean production audit report



Wastewater and exhaust gas test reports by a professional organisation



Noise test report by a professional organisation



Air VOC monitoring equipment installed on site

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The Group has adopted a safe and reliable closed production process and the waste gas emissions are minimized during the production process, so there is no chemical odor in our plant. In order to further control and minimize possible emissions, the Group has installed activated carbon gas absorption system in its workshops, which is specifically designed to capture any trace gases that may have escaped. In recent years, the Group upgraded its gas absorption equipment. In 2025, the Group increased the frequency of activated carbon replacement to ensure the continuous, efficient and stable operation of the adsorption system, thereby further improving the absorption efficiency and treatment effectiveness of trace gases. At the same time, the Group continues to use video monitoring systems for wastewater and exhaust gases to monitor emissions in real time, further reducing pollution risks. Furthermore, the high-purity oleic acid production facility, constructed using funds raised from the Listing, continues to operate stably. It employs China's first production process with zero wastewater discharge, continuously reducing water consumption and wastewater emission. The Group continues to operate its upgraded high-pressure steam system, which provides higher energy efficiency compared to the original low-pressure system, effectively improving steam thermal efficiency. By collaborating with the industrial park's steam supplier to optimise the steam supply process, the Group has reduced energy losses during the conversion of fuel thermal energy, thereby continuously lowering fuel consumption and the related emissions.



Workshops equipped with activated-carbon gas absorption system



Wastewater monitoring system



Waste gas monitoring system

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Wastewater and solid waste treatment methods and the targets and measures to reduce the amount of waste generation

- Professional companies engaged to treat wastes

In order to prevent the risk of pollution, the Group properly classifies, collects and stores solid wastes in special warehouses qualified for environmental protection in strict accordance with the relevant national regulations; the Group continuously improve the comprehensive record-keeping ledger system to systematically record in detail the sources, types and quantities of wastes and their disposal to ensure traceability of the whole process. The Group engages professional 3rd-party companies with appropriate qualifications to treat solid wastes in a safe and compliant manner so as to minimize their potential impact on the environment. The Group has engaged Yixing Water Quality Monitoring Center Company Limited to conduct stringent tests on the wastewater discharged by the Group every month, covering key indicators such as PH value, chemical oxygen demand (COD), ammonia nitrogen content, total phosphorus content and total nitrogen content. Up to the end of 2025, the wastewater discharged by the Group was all in compliance with the relevant environmental protection standards and had not caused any adverse impact on the surrounding environment.

- Tankers instead of packing barrels

Since the Listing, the Group has constructed numerous storage tanks. For the transportation of goods, it primarily uses tankers and continues to encourage suppliers to prioritise and repeatedly select high-standard tankers. These vehicles offer excellent sealing and safety, featuring leak-proof, non-toxic, anti-ageing, impact-resistant and corrosion-resistant properties, as well as a long service life, enabling them to effectively replace traditional packaging containers in a variety of scenarios. By promoting tanker transport, the Group has continuously reduced the use of packaging materials and the resulting packaging waste. This is particularly true in the transport of liquid chemicals and related products, where it provides a safer, more efficient and environmentally friendly solution for the transport process. These measures not only reduce packaging costs but also further enhance transport safety and minimise potential environmental impacts.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Steam condensate and rainwater as circulating cooling water

The Group attaches great importance to the efficient use of water resources and environmental protection. Through systematic design, we continuously collect and utilise steam condensate and rainwater, using them to supplement our circulating cooling water, fire-fighting water and landscaping water supplies. The Group recovers and reuses high-temperature condensate discharged from the steam system, returning it to the production process to maximise its cooling efficiency. This effectively reduces the demand for fresh water in production, lowers water consumption and further enhances water use efficiency.

- Harmonized recycling of wastes by suppliers

In order to actively respond to the environmental protection policies and reduce the consumption of packaging materials and the output of wastes, the Group has signed a series of cooperation agreements with its partners on the recycling and reuse of packaging materials, which require packaging suppliers to be responsible for the recycling of the used packaging materials and reprocessing or reusing them, so as to optimize the allocation of resources and reduce packaging costs. In the meantime, the Group strictly requires its suppliers to comply with environmental regulations throughout their production process to ensure that wastes are handled in a timely, reasonable and standardized manner. We encourage our suppliers to adopt effective waste management strategies to promote waste categorization, recycling and reuse, so as to achieve a win-win result in terms of environmental and economic benefits.

- Building high-purity oleic acid production plant

The Group is committed to the development and production of environmentally friendly products. The Group utilised the proceeds from the IPO and established a high-purity oleic acid production facility, which, as the first one in its kind in China without wastewater discharge, has substantially reduced the Group's water consumption and significantly alleviated the impact of industrial wastewater on the environment, and pushed the Group forward towards the goal of zero wastewater discharge. This high-purity oleic acid production facility is not only a key component of the Group's sustainable development strategy, but also an important manifestation of the Group's green corporate image, reflecting the Group's strong commitment to ecological protection and its philosophy of sustainable operation.

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- Posting of emission reduction targets in prominent spots

In order to further enhance the Group's employees' awareness and practice of environmental protection, the Group has posted simplified "Quality and Environment Policy" and "Quality, Environment and Occupational Health and Safety Targets" in prominent spot in every production area, so as to ensure that employees bear in mind the Group's firm commitment to energy conservation, emission reduction and clean production. The Group's core policy on waste discharge is to "keep water, gas and solid wastes 100% within the standard limits". Through these measures, the Group strives to minimize the negative impact on the environment by implementing waste reduction in our daily production activities.

- Use QR Code of Hazardous Waste Information to manage Solid and Liquid Waste

The Group attaches great importance to the standardised management and risk prevention of solid and liquid waste. In strict compliance with national laws, regulations and environmental protection requirements, all types of wastes are sorted, collected and temporarily stored in designated areas, before being centrally stored in specialised warehouses that meet environmental standards. The Group regularly entrusts the safe and compliant disposal of wastes to qualified professional companies, ensuring that disposal processes are standardised and controllable, with clear and traceable disposal routes. Furthermore, to enhance the digitalisation and transparency of hazardous waste management, the Group has installed QR codes displaying hazardous wastes information at the entrances to storage facilities. Relevant personnel can use their mobile phones to scan these codes and quickly access details regarding the categories, stock levels and key management points of the hazardous wastes stored within. In 2025, the Group updated and standardised its hazardous waste labelling system, further strengthening the on-site management efficiency and environmental-risk early warning capabilities.

- Strengthen the management of the reuse of IBC

In order to further save costs and reduce consumption, the Group has strengthened the reuse management of intermediate bulk containers (IBC), conducted classified management according to the service life of IBCs and the requirements of customers, and thereby optimized the resource allocation. In view of the high requirements on packaging of chemical products, the Group significantly increased the inspection frequency on the packages both before packing and after packing, so as to ensure that the sealing, corrosion resistance and safety of the IBCs meet relevant standards.

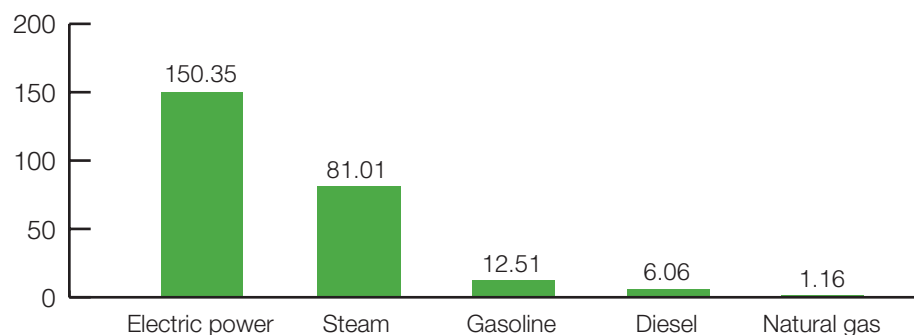
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.3 ANALYSIS OF USE OF RESOURCE BY THE GROUP

2.3.1 Main Energy Consumption Structure of the Group

In 2025, the total energy consumed by the Group in all of its operations is approximately 251.09 tons of standard coal equivalent, with an energy consumption density of approximately 1.23 tons of standard coal/RMB million, of which 59.9% was electricity, 32.3% was steam, 5.0% was gasoline, 2.4% was diesel and 0.5% was natural gas.

**Comparison of Different Types of Energy Consumed
by the Group in 2025
(Unit: tons of standard coal equivalent)**



In 2025, the Group consumed approximately 11.7 thousand liters of gasoline, 5.0 thousand liters of diesel, 372,000 KWH of electric energy, 1,214.0 cubic meters of natural gas, 834.0 tons of steam, and approximately 7,810.0 tons of water.

The resource consumption of the Group in 2025 is shown by type in the following table:

Type of energy	Unit	Consumption amount
Gasoline	Litre	11,650.0
Diesel	Litre	4,950.0
Electric energy	Kilowatt-hour	372,142.0
Natural gas	cubic meter	1,214.0
Steam	ton	834.0
Water	ton	7,810.0

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Resource consumption density of the Group in 2025 is shown in the following table:

Type of energy	Unit	Consumption density
Gasoline	Litre/RMB million	57.1
Diesel	Litre/RMB million	24.3
Electric energy	Kilowatt-hour/RMB million	1,825.3
Natural gas	cubic meter/RMB million	6.0
Steam	ton/RMB million	4.1
Water	ton/RMB million	38.3

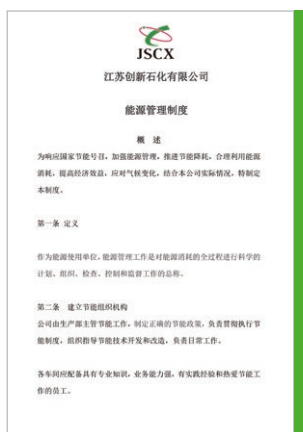
2.3.2 Energy Efficiency Targets and Measures Taken

In the year of 2025, the Group strictly complied with the Energy Conservation Law of the PRC* (中華人民共和國節約能源法) and other relevant laws and regulations, and continued to enhance the efficiency of energy utilization and adopted a number of measures to promote the realization of energy conservation and consumption reduction targets. The Group has formulated an “Energy Management System” and established a three-level energy measurement system to implement energy measurement and management. Each workshop is equipped with independent power meters to ensure that the power factor does not fall below 0.95. In addition, the Group posted the simplified “Quality and Environment Policy” and “Quality, Environment and Occupational Health and Safety Objectives” at prominent spots in the factory, which clearly requires to keep “continuous energy saving, consumption and waste reduction”, so as to continuously improve the employees’ awareness of environmental protection and their behavioral norms.

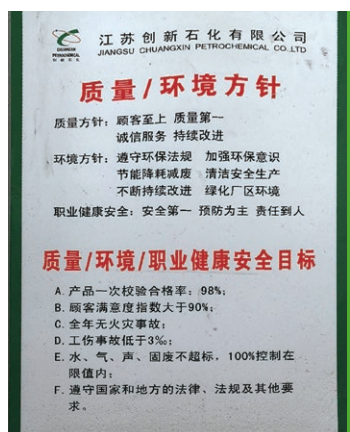
In terms of energy-saving technology transformation, the Group has continued to promote the upgrading of green lighting and efficient equipment in recent years, including the gradual replacement of workshop and road lights with solar lamps, and the replacement of the existing electric motors with high-efficiency and energy-saving explosion-proof electric motors to further conserve electricity and improving energy efficiency. Building on these measures, the Group has recently introduced an electricity monitoring system to conduct real-time monitoring and analysis of key electricity-consuming processes, thereby further optimising the allocation and utilisation efficiency of electrical resources. Furthermore, the Group has upgraded the production processes for certain products, utilising piped steam supplied by a nearby thermal power plant as a substitute for natural gas. This has significantly reduced natural gas consumption whilst further enhancing the safety and stability of the production process.

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The Group explored its energy-saving potential through the in-depth application of refined management tactics, including fine-tuning and optimizing the production process of those products with high energy consumption, carrying out DCS (distributed control system) upgrades in production process control to improve automation and control precision and implementing a strict power use management system. For example, employees are required to turn off the lights and air conditioners when going out; the doorman and staff on duty are required to check the use of office lights after the working hours; punishment is imposed on unnecessary electricity use. While the management set a good example by minimizing air - conditioning usage time, the technology and production departments continued to optimize their processes, tapping into the potential for energy saving and consumption reduction while ensuring product quality and meeting customer needs. Together, these initiatives have led to a significant improvement in the Group's energy efficiency, laying a solid foundation for the realization of our sustainable development goals.



Energy Management Policy



Simplified Quality/Environment Policy and Health and Safety Objectives

To implement energy-saving targets, the Group has set a goal in 2024 to reduce total electricity consumption by approximately 1% and total water consumption by approximately 1% annually, based on the same production scale. In 2025, the Group's energy consumption density decreased by approximately 13% and water consumption density by approximately 30%, primarily due to the ongoing cultivation of employees' awareness of energy and water conservation, as well as the continuous strengthening of inspections and maintenance of water supply pipelines, thereby driving forward efforts to conserve energy, reduce consumption, and minimize water use and emissions.

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2.3.3 Method of Water Taking, Plan for Improvement of Water-use Efficiency and the Results Achieved

In the year of 2025, the Group utilized water resources in strict accordance with the Regulations on Water Taking and Levy of Water Resource Fees* (取水許可和水資源費徵收管理條例) and all relevant laws. Adhering to the concept of “Waste not and continuously building a green enterprise”, the Group constantly promotes the efficient use and economical management of water resources. The high-purity oleic acid production plant built by the Group with the funds raised from the Listing has adopted the first production process without waste water discharge in China, thereby effectively reduces water consumption and avoids the impact of traditional wastewater treatment on the environment. At the same time, the Group makes full use of steam condensate and rainwater resources as recycling cooling water, fire-fighting water and water for landscaping, to achieve reasonable allocation and efficient utilization of water resources. In terms of office and domestic water use, the Group adopts more actively automatic-sensor water-saving flushing devices, and installs automatic sensing faucets for washbasins in the office area or restricts the flow rate through valves, effectively avoiding waste of water resources. In addition, the Group has developed relevant management systems and procedures to clarify water conservation requirements and incorporate them into daily operation management.

2.3.4 Total Volume of Packaging Materials Consumed for Finished Products and the Unit Consumption

The packaging materials for the Group’s products are mainly plastic barrels and metal barrels. The total volume of packaging materials used by the Group for finished products in 2025 was approximately 222.0 tons, with a consumption density of approximately 1.09 tons per million RMB, of which 150.0 tons of plastics were consumed with a consumption density of approximately 0.74 tons per million RMB and 72.0 tons of metals were consumed with a consumption density of approximately 0.35 tons per million RMB.

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2.4 ANALYSIS ON ENVIRONMENT AND NATURAL RESOURCES

2.4.1 Analysis of Major Impacts of Business Activities on Environment and Natural Resources and Relevant Measures

The Group conducts its business operation in compliance with the relevant laws and regulations such as the Catalog of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources* (固定污染源排污許可分類管理名錄) and Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes* (中華人民共和國固體廢物污染環境防治法), etc., and implements strict control over all types of emissions and pollutants. In its operations, the impact of the Group's business activities on the environment and natural resources is mainly reflected in the consumption of resources, emissions of exhaust gases and greenhouse gases, as well as the discharge of wastes. In order to follow the national environmental protection policies, the Group strictly enforces safety and environmental protection standards in its production activities and ensures that all emissions and pollutants are properly treated. Through meticulous testing and recording of emissions and pollutants, the Group ensures that all indicators comply with national environmental protection laws and regulations as well as emission standards, minimizing its negative impacts on the environment and natural resources and fulfilling its responsibility for environmental protection.

The Group holds a valid ISO14001 Environmental Management System Certificate and operates in strict accordance with the requirements of the system. After the Listing, the Group incorporated "Waste not, and keep building a green enterprise" into its corporate culture, and clearly required resource conservation in the relevant management manuals and program files. The Group integrates environmental protection into corporate management to ensure its effective implementation in the process of product production. By strengthening environmental education and publicity and enhancing employees' awareness of environmental protection, the Group has established a set of target responsibility system from the senior management to the grassroots teams, forming a complete management network. The Group ensures that responsibilities are clearly defined and rewards and penalties are clearly delineated as a means to minimize potential harm to the environment and human health due to production activities, and have actively adopted an environmentally friendly and resource-saving development model. The Group's relevant measures to minimize negative impacts on the environment and natural resources include:

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– *Energy management system in place*

In order to actively respond to the national call for energy conservation and emission reduction, the Group has continuously strengthened its energy management efforts, promoting the rational use of energy resources such as electricity, steam and gasoline, and actively addressing the challenges posed by climate change. Based on the Group's operational realities, it has formulated and implemented an "Energy Management System" and successfully obtained ISO 50001 Energy Management System certification. Addressing the specific needs of various departments in energy management, including reducing material consumption, eliminating wastes and improving energy efficiency, the Group has further refined management guidelines and implementation standards, establishing a closed-loop management mechanism covering planning, implementation, inspection and improvement. As the driving force behind energy conservation efforts, the production department is responsible for formulating scientific energy-saving strategies, ensuring the effective implementation of energy-saving policies, and leading the development of energy-saving technologies and system upgrades to guarantee the continuous advancement and efficient execution of energy management. Furthermore, the Group has established an electricity monitoring system to conduct real-time monitoring and data analysis of key energy-consuming processes, providing robust support for the optimised allocation of electrical resources and the enhancement of energy efficiency.

– *Energy saving and consumption reduction in the production process*

In respect of raw and auxiliary materials, the Group adheres to the concept of resources saving and strictly monitors the production process to ensure that the quality of products meets the highest standards, with a passing rate close to 100%. In the past three years, there has not been any return of sold products due to quality defects, effectively avoiding the waste of resources. The Group requires its procurement department to reduce the quantity of raw materials purchased and control the inventory level on the basis of considering the price factor, so as to avoid waste such as expiration and deterioration.

In respect of electricity, the Group replaced road lighting with solar lights and replaced some electric motors with energy efficient and explosion-proof motors, so as to conserve energy as much as possible and improve the efficiency of energy use.

In terms of water resource, the Group has adopted water-saving production processes. For example, in the production of high-purity oleic acid, the Group has established the first zero-wastewater production plant in China, which not only significantly reduces water consumption, but also meets the environmental standard of zero wastewater discharge. In addition, the Group has optimized water resource recycling by using steam condensate and rainwater as recycled cooling water and collecting rainwater for fire-fighting purposes, further enhancing the comprehensive utilization efficiency of resources.

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– *Control of emissions and waste discharge*

The Group adopts a closed production process to minimize the emission of exhaust gases during production. On this basis, the Group has installed and successfully upgraded high-efficiency activated carbon exhaust gas treatment units in core production areas. In 2024, a video monitoring system for exhaust gas emissions was introduced, enabling real-time monitoring and dynamic management of the emission process, thereby ensuring that emission indicators consistently meet environmental requirements. In 2025, the Group further increased the frequency of activated carbon replacement. Leveraging the powerful adsorption capacity and convenient maintenance features of activated carbon, the Group effectively adsorbs various complex exhaust gas components, enhancing exhaust gas treatment efficiency and further reducing emissions. Simultaneously, to monitor atmospheric air quality in real time, the Group has installed online VOCs monitoring equipment within the factory premises, enabling continuous monitoring of atmospheric conditions. In terms of solid and liquid waste management, the Group has implemented a strict system of categorization and collection, and all wastes are stored in designated safe warehouses. For wastes that may cause harm to the environment or human health, the Group engages professional organizations with appropriate qualifications to safely dispose of them in accordance with the regulations on hazardous waste treatment. Meanwhile, the Group engages professional testing organizations to conduct quality tests on sewage on a regular basis to ensure that it meets the discharge standards before it is handed over to the cooperating sewage treatment plants for treatment.

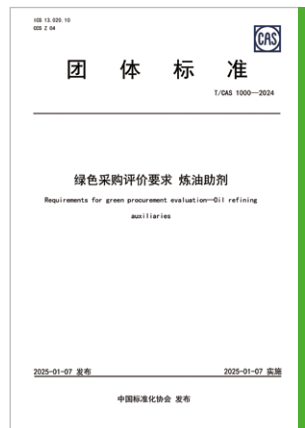
– *Participation in voluntary clean production audit*

The Group actively participated in the voluntary clean production audit & acceptance program sponsored by the Leading Team Office for Clean Production Audit under the Leading Team of Wuxi City for Energy Conservation and Emission Reduction, and under the professional guidance, assistance and supervision of the authoritative institutions, we successfully passed the audit and was awarded the Certificate of Clean Production Audit. In 2025, the Group successfully passed the audit once again, demonstrating that its clean production management system operates stably and has achieved significant results through continuous improvement. The Group is determined to become a clean production model enterprise by continuously promoting the green development strategy, abiding by the environmental protection and energy saving operation norms, and fully implementing green production management system, which was highly recognized by Jiangsu Province Government, as a result, the Group was awarded the title of “Green Factory of Jiangsu Province”, becoming the first chemical enterprise in Yixing City to be awarded with this honor.

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– *Participation in the formulation of 2 group standards for green development*

In order to actively respond to the national policy orientation of energy conservation, consumption reduction, emission reduction and environmental protection, the Group gives full play to its technical advantages in the field of oil refining agents and fuel additives, and deeply participates in the construction of green standards for the industry. In 2024 and 2025, as one of the core drafting units, the Group, together with many leading enterprises in the industry, promoted and completed the formulation of two group standards approved and issued by the China Association for Standardization (CAS), namely “Requirements for green procurement evaluation – Oil refining auxiliaries” and “Requirements for green procurement evaluation – Fuel oil additives”. From raw materials selection, production process, product performance, packaging and transportation to waste disposal and other life cycle dimensions, the two standards systematically put forward the green procurement evaluation index system, aiming to lead the oil refining agent & fuel oil additive industry in the direction of green, low-carbon and sustainable development.



Requirements for green procurement evaluation – Oil refining auxiliaries



Requirements for green procurement evaluation – Fuel oil additives

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2.4.2 Analysis on the Responses to Climate Change

Climate-related governance organization

The Group has set up a dedicated Environmental, Social and Governance (ESG) Team to identify, determine and assess the Group's risks and opportunities relating to ESG (including climate), and report to the Board. The ESG Team is headed by a technical executive Director and consists of heads of relevant departments in production, technology, environmental protection, safety, finance, occupational health and personnel, or professionals of these departments with relevant functions, who receive continuous training to enhance their competence. The ESG Team has the right to access climate-related information at any time and may request for relevant data from all the departments and, if necessary, obtain external independent professional advices at the Group's expense. Typically, the ESG Team reviews climate-related risks and opportunities twice a year. As an executive Director of the Company and a member of top management of the Group, the executive director of the ESG Team is involved in strategic and policy making and major transaction decisions of the Group, ensuring that climate-related risks and opportunities are taken into account, and has the right to veto or recommend changes to relevant decisions. The ESG Team sets climate-related targets through communication with the Board, the management, and the relevant departments, and monitors progress through data monitoring, facility access, site visits and employee exchanges.

Analysis of climate-related risks and opportunities

The geographical location of the Group's production entity is subject to a low probability of climate-related risks. Furthermore, the Group's consumption of energy and water resources during operations and product manufacturing is relatively limited. As the Group employs enclosed production processes, resulting in low dependence on weather conditions and minimal emissions during production. Furthermore, the Group's customers are primarily mega-enterprises, which have already established relatively comprehensive climate risk management mechanisms and possess strong overall risk-resilience. Based on the above factors, the Group believes that, up to 2025, climate-related risks and opportunities are not expected to have a material impact on the Group's operations in the short to medium term. In the long term, global warming may bring about positive or negative changes in demand for the Group's products through its impact on economic environment, policy direction and transportation.

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In terms of business mode and value chain, global warming may lead to stricter emission policies being enacted by various countries. In the long term, this may reduce the transport sector's consumption of gasoline and diesel, whilst simultaneously increasing the use of gasoline and diesel additives, which could have both positive and negative impacts on the Group's business.

In terms of current financial impact, climate-related risks and opportunities have not had a significant impact on the Group's financial position, financial performance or cash flows during the Reporting Period. Regarding anticipated financial impact, no significant changes are expected to the Group's investment and disposal plans, and no additional funding is anticipated to be required to implement relevant strategies.

Regarding the resilience of the Group's strategy and business mode, current climate-related changes, developments or uncertainties have not yet had a significant impact on the Group's strategy and business mode. However, uncertainty remains regarding the stability of policies adopted by various countries to address global warming; in particular, fluctuations in fossil-fuel-related policies in Europe and the United States may become key factors for the Group to consider when conducting climate resilience assessments. In general, the Group possesses a strong capacity to adapt its strategies and business mode. It can flexibly adjust the output allocation of oil refining agents and fuel additives in response to market and policy changes to address the aforementioned risks.

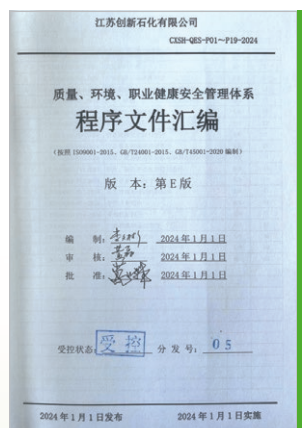
Currently, the Group has incorporated performance indicators such as raw material wastage, leaks and spills, and energy conservation and consumption reduction into its remuneration policy; however, it has not yet fully integrated performance indicators related to climate-related risks and opportunities, nor has it applied carbon pricing.



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Analysis on the measures to cope with climate change

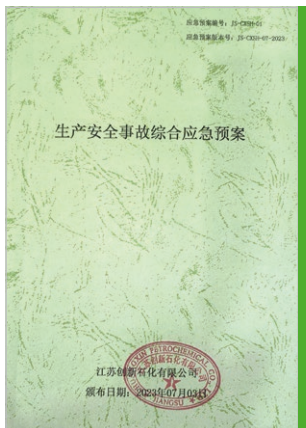
The Group always takes environmental protection as a priority in its daily operation, and has formulated a Procedural Manual for Quality, Environment and Occupational Health and Safety Management System as a guiding document, which involves procedures such as record control, identification and evaluation of environmental factors, and control of environmental operation, and is mandatory for all of the Group's departments and projects, as well as for all employees. Regarding significant climate change, the Group has established a comprehensive workflow and response strategy to conduct in-depth evaluation while systematically identifying the key climate change factors that are controllable by the Group in its operational activities, products and services, so as to define important environmental factors and to ensure that relevant information is updated in real time. The Group's current main products have the functions of saving energy, reducing emissions and reducing consumption for customers, and in the future, the Group will be committed to developing more new products for improving product yield and fuel combustion efficiency and reducing emissions in the refining industry. In terms of adaptation and mitigation work, the Group has integrated energy conservation, consumption reduction and emission reduction into its corporate culture and daily operations, promoted employee awareness through continuous education and training, and developed a series of systems and installed VOC monitoring equipment, exhaust gas video monitoring system and activated carbon adsorption equipment to minimize exhaust gas and greenhouse gas emissions. In addition, the Group continues to develop and produce products for the petroleum and transportation industries to reduce emissions and combat climate change.



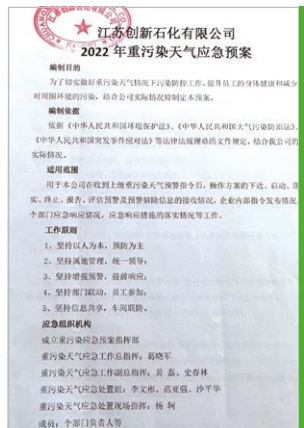
Procedural Manual for
Quality, Environment and
Occupational Health and
Safety Management Systems

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Although the impact of climate change (such as rising temperatures and catastrophic weather, etc.) on the Group's operations is limited, the Group has formulated and implemented an emergency response plan for natural disasters, which has been incorporated into the emergency response plan system for work safety accidents. Due to the Group's favorable geographical location, climatic factors have not yet had a significant impact on its production and operating activities since its establishment. Apart from the production reduction measures that might be taken in case of heavy pollution weather, there are no other PRC governmental and local policies, supervision, technology or market trends that may have a significant impact on the Group. Heavy pollution weather is relatively rare in this region, in the event that it does occur, the Group will follow the government's pollution control directives and take necessary production reduction measures. In addition, the Group has set up public signboards in the production area for heavy pollution weather warning and emergency response to ensure that it can respond promptly to unexpected weather events and natural disasters.



Emergency plan for safety accidents in production



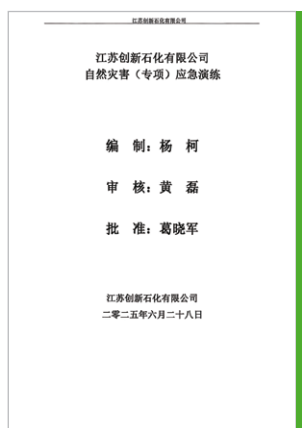
Emergency plan for heavy pollution weather



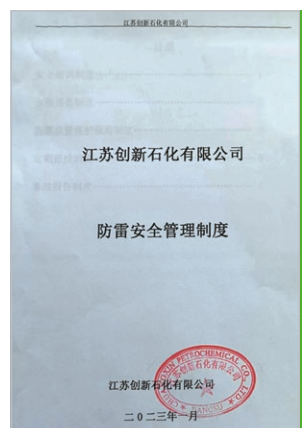
Public signboard for heavy pollution weather emergency response and control

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With reference to the professional guidance of relevant government departments, the Group has formulated and implemented a set of emergency response plans for possible natural disasters. This set of plans covers emergency response and rescue operations for a wide range of natural disasters such as earthquakes, typhoons and rainstorms, and is complemented by a full range of safety and security measures, including transportation, public security, medical, logistical and financial measures. The Group conducts regular safety training and drills to enhance the ability of employees to respond to emergencies. Meanwhile, although lightning strikes are extremely rare in this region, the Group has also formulated a specialized lightning safety management system and an emergency plan to ensure that the lives and properties of the Group and its employees are not threatened.



Natural Disaster
Emergency Drill Plan



Lightning Safety
Management System

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3 ANALYSIS OF CORPORATE SOCIAL RESPONSIBILITY

3.1 ANALYSIS ON CURRENT EMPLOYMENT SITUATION

3.1.1 Overview of Employment Status and Labour Standards

In accordance with the Group's Human Resources and Talent Management System, we reasonably sets job posts according to the needs of production and operation, formulates the responsibilities of the posts and the standards of employment, selects the right person for each post, matches persons with jobs, carries out open and fair recruitment to select employees on merit, treats all the job applicants equally, eliminates gender and geographical discrimination. At the same time, the Group strictly complies with the Labor Law of the PRC* (中華人民共和國勞動法), the Labor Contract Law of the PRC* (中華人民共和國勞動合同法) and other labor laws and regulations to ensure legal compliance of recruitment and employment processes. The Group always adopts the standard version of labor contracts provided by the Human Resources and Social Security Bureau of the local government to ensure the legality and standardization of the contract content.

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As of 31 December 2025, the details of the Group's employees in service were as follows:

	Number of employees at the end of 2025	Percentage
By employment type		
Full Time	58	100.0%
Part Time	0	0.0%
By gender		
Male	35	60.3%
Female	23	39.7%
By academic qualification		
University and above	15	25.9%
College	17	29.3%
Technical school	15	25.9%
High school	7	12.1%
Junior middle school	4	6.9%
By age group		
≤25	0	0.0%
26-30	2	3.4%
31-35	5	8.6%
36-40	10	17.2%
41-45	1	1.7%
46-50	14	24.1%
51-55	12	20.7%
≥56	14	24.1%
By departments		
Production department	18	31.0%
R&D Department	14	24.1%
Marketing Department	10	17.2%
Administration Department	9	15.5%
Finance & Accounting Department	5	8.6%
Procurement Department	2	3.4%
By job location		
Jiangsu Province	58	100.0%
Outside Jiangsu Province	0	0.0%

As of 31 December 2025, the total number of employees of the Group was 58, all of whom were full-time employees and were working in Jiangsu Province.

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By gender, the number of male employees is 35 (60.3%) and the number of female employees is 23 (39.7%). In order to maintain the work-and-life balance of female employees, the Group makes every effort to ensure that female employees are entitled to various types of leaves and insurance in accordance with the law. Our employee handbook provides that female employees shall be entitled to 90 days of normal maternity leave with additional 30 days of leave for late childbearing and additional 15 days of leave for each additional baby in case of multiparity, and that female employees can enjoy favorable treatment during pregnancy, childbirth and breastfeeding in accordance with national and local regulations. In addition, the Group actively organizes various cultural activities to enrich the amateur life of employees and create a more harmonious working environment.

By age group, 12.1% of employees were 35 years old or younger, 43.1% were aged 36 - 50, 20.7% were aged 51-55 and 24.1% were aged 56 or above. The Group's workforce is diversified in terms of age distribution, with employees of different age groups playing important roles in their respective fields and working together to drive the Group's development.

By academic qualifications, as a high and new technology enterprise, the Group has 55.2% of staff with college degree or above and 25.9% of staff graduated from technical schools, meanwhile, it owns a number of senior engineers and senior experts, and its high-quality talent team provides strong support and guarantee for the Group's sustainable development and innovation.

By functional departments, there are 18 employees in our Production Department, 14 in our R&D Department, 10 in our Marketing Department, 9 in our Administration Department, 5 in our Finance & Accounting Department, and 2 in our Procurement Department, totaling 58 employees, of which 55.2% are in the Production and R&D Departments, which shows that the Group attaches great importance to the production and research and development activities. All departments of the Group work closely together to provide the necessary support and services for the overall operation of the Company.

Employee turnover by major indicators

During the Reporting Period, the Group had a total turnover of 13 employees, representing approximately 22.4% of the total number of employees in service. The Group's employee turnover was mainly from the Administration Department, Production department, Marketing Department, Finance & Accounting Department, and Quality Control department, each of these departments lost 4, 3, 3, 2 and 1 employee respectively.

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By age groups, among the employees quitted, 30.8% was aged 31 to 35; 23.1% was for the age groups of 56 and above respectively; 15.4% was for the age groups of 36 to 40 and 46 to 50 respectively; 7.7% was for the age groups of 41 to 45 and 26 to 30 respectively; and none of them were under the age of 51- 55 or above.

For the year ended 31 December 2025, the Group's employee turnover was as follows:

	Employee Turnover in 2025	Percentage
By employment type		
Full Time	13	100.0%
Part Time	0	0.0%
By gender		
Male	5	38.5%
Female	8	61.5%
By departments		
Production department	3	23.1%
Administration Department	4	30.8%
Marketing Department	3	23.1%
Quality Control Department	1	7.7%
Finance & Accounting Department	2	15.4%
R&D Department	0	0.0%
Procurement Department	0	0.0%
By age group		
≤25	0	0.0%
26-30	1	7.7%
31-35	4	30.8%
36-40	2	15.4%
41-45	1	7.7%
46-50	2	15.4%
51-55	0	0.0%
≥56	3	23.1%
By job location		
Jiangsu Province	13	100.0%
Outside Jiangsu Province	0	0.0%

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Employee benefits and talent management

The Group strictly complies with the requirements of the Labor Law of the PRC and pays social insurances such as housing provident fund, pension fund, medical insurance fund and unemployment insurance fund for its employees on time and in full to ensure that its employees are entitled to the remuneration, benefits and leave rights stipulated by the law, including work injury leave, sick leave, marriage leave and maternity leave, etc. The Group clearly sets out employees' rights, welfare policies and remuneration systems in the Employee Handbook. In terms of remuneration management, the Group adheres to the national distribution principles of "equal pay for equal work" and "more work, more pay", as well as "performance first, with due regard for fairness". Taking into account the company's operational characteristics and business performance, the Group has established a remuneration system comprising basic salary, performance-related pay and bonuses, and provides employees with free lunch and allowances such as high-temperature allowances, business travel allowances and seniority pay. In addition, employees are entitled to benefits such as personal protective equipment, festive gifts and free health check-ups.

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The Group has formulated and implemented a “Human Resources and Talent Management System” to standardize talent development and incentive management. Within this framework, the Group has established a comprehensive and rational talent incentive mechanism covering multiple aspects such as talent assessment, career development planning, and remuneration and benefits. Through measures such as share option incentives, commendations for outstanding employees, and incentives for multi-skilled roles, the Group continuously motivates employees to enhance their professional capabilities and personal value. For employees demonstrating exceptional performance, the Group provides annual cash bonuses and gives them priority consideration in promotion arrangements. For employees who, whilst excelling in their core duties, further acquire skills relevant to other roles, the Group offers incentives and support through salary adjustments and promotions to foster their professional growth and multi-skill development. At the same time, the Group has established a “mentoring” system, requiring senior staff to assist new recruits and those changing roles through “mentoring, assisting and guiding” to help them familiarize themselves with business processes and master job-specific knowledge as quickly as possible, whilst providing encouragement and support in their work to strengthen their innovative mindset and adaptability. Furthermore, the Group continuously stimulates employees’ creativity and initiative, fostering a corporate culture conducive to innovation. It advocates for breakthroughs and continuous improvement, encourages an innovative spirit, and enhances employees’ identification with technological innovation, thereby continuously strengthening the Group’s technological innovation capabilities and sustainable development momentum.



The Group awards outstanding employees with certificate of merit and cash bonus

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Employee diversity

In 2025, to further optimise the Group's governance structure, foster a diverse, equitable and inclusive workplace environment, actively fulfil corporate social responsibility and support the Group's sustainable development, the Group formulated and implemented an employee diversity policy. This policy advocates treating all employees as a unified whole and continuously enhancing the diversity and balance of the workforce in terms of gender, age, cultural background, professional skills, leadership capabilities, innovative capacity and industry experience. The Group adheres to the principles of fairness and impartiality in all aspects of employee recruitment, job placement, remuneration, promotion and demotion, training, and career development opportunities, and does not discriminate on the basis of gender, race, skin color, religion, household registration, marital status or other lawful status. At the same time, the Group is committed to fostering a working environment characterized by mutual respect and harmonious coexistence. We unequivocally oppose any form of workplace harassment or bullying, ensuring that employees can carry out their work in an atmosphere of safety, respect and inclusivity.



The Group has established a diversity policy for its employees

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3.1.2 Overview of Employees' Health and Safety Assurance

In strict accordance with the Law of the PRC on Safe Production* (中華人民共和國安全生產法) and the Law of the PRC on Prevention and Control of Occupational Diseases* (中華人民共和國職業病防治法) and other laws and regulations, the Group continuously strengthens the protection of employees' health and safety, and our production entity, Jiangsu Chuangxin, continuously holds valid "Certificate of Environmental Management System" and "Certificate of Occupational Health and Safety Management System", which proves that the management systems of the Group in terms of the environment and occupational health and safety comply with the international standards, which effectively prevents and controls occupational risks and safeguards the health of employees. Meanwhile, Jiangsu Chuangxin strictly follows the requirements of the government's safety supervision department for safety production, and has been continuously awarded the certificate of the work safety standardization system, by further improving the level of work safety management, it passed the Grade-II Work Safety Standardization rating by the Department of Emergency Management of Jiangsu Province.



Environmental Management System Certificate



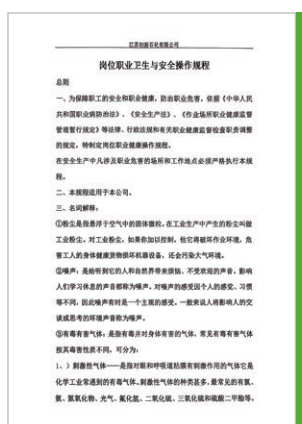
Occupational Health & Safety Management System Certificate



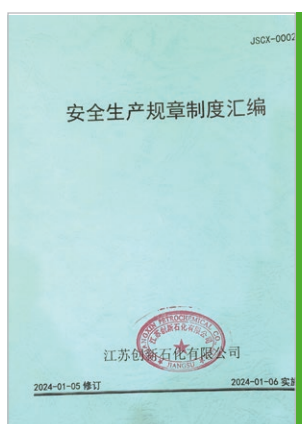
Grade-II Work Safety Standardization Rating by Emergency Management Dept. of Jiangsu Province

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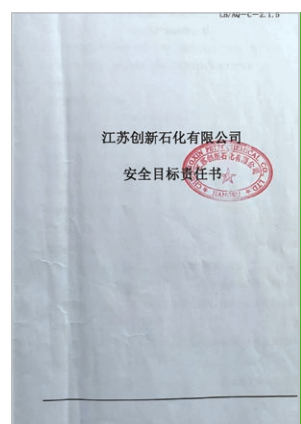
As a chemical enterprise, the Group has always prioritised employee safety and hazard prevention, establishing a comprehensive system for work safety and employee health. In terms of work safety, the Group has formulated a series of regulations relating to occupational health protection and hygiene management, including occupational hygiene and safety operating procedures for specific roles, a system for the monitoring of workers' occupational health and the management of their health records, the Three-item Simultaneous Management System for Occupational Disease Prevention Facilities, and a system for education, training and awareness-raising on the prevention and control of occupational diseases, thereby continuously improving the framework for employee health and safety. Concurrently, the Group's Compilation of Work Safety Rule & Regulations sets out detailed provisions for the employee safety management system, covering aspects such as reward and disciplinary measures, cost management, signage management, emergency response and accountability. The Group's Quality, Environment, Occupational Health and Safety Management System Procedure Documents stipulate occupational health and safety control procedures, requiring all departments to maintain records of the health and safety information of their staff. The Office of the Group acts as the competent authority, whilst each functional department is responsible for implementation and record-keeping, ensuring that the labelling, protection and preservation of occupational health and safety records are properly carried out. In production areas, the Group displays the "Employee Safety Responsibilities", clearly requiring employees to participate in safety activities, learn safety technical knowledge, strictly comply with work safety regulations, and inspect workstation equipment and safety measures before shift handover. The Group also signs work safety target responsibility agreements with relevant managers and employees, and conducts regular assessments and rewards or penalties to ensure that work safety responsibilities are fully implemented.



Occupational Health and Safety Procedures for Work Posts



Compilation of Work Safety Rules & Regulations



Safety Target Responsibility Statement

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With regard to employee health, regular occupational safety inspections are an important work of the Group's management of employees' occupational health. The Group holds regular meetings on production safety and conducts regular safety inspections to eliminate potential accidents and hazards. The Group also inspects testing devices to prevent abnormality to ensure the safety and stability of the production environment. At the same time, the Group employs professional organizations to conduct regular inspections of possible occupational hazards (dust, noise, gas, etc.) in the workplace, and provides regular medical examinations for employees every year, so as to fully protect the health of employees. In terms of hygiene inspections, the Group appoints specialized occupational hygiene control managers to conduct regular inspections and fill in occupational hygiene checklists, so as to ensure that all indicators comply with the relevant occupational hygiene requirements and thereby practically ensure the occupational health and safety of employees.

In the past three years, there has never been any employee who died at work, nor have there been any working days lost due to work-related injury.

	2023	2024	2025
Number of work-related deaths	0	0	0
Number of working days lost due to work-related injuries	0	0	0
Total number of employees at the end of the year	58	64	58

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The following are the major measures taken by the Group during the Reporting Period to ensure the health and safety of its employees:

- *Upgrading the Information management platform for safety in production*

The Group has significantly improved the safety of its production plants by adopting a distributed control system (DCS) that automatically shuts down the relevant production equipment in the event of a safety incident. On the basis of the original five-in-one work safety information management platform, the Group constructed a centralized control room, which further improved the abilities in safety monitoring and control of the plant and workshops, and realizes real-time transmission of video surveillance images and monitoring data and communication within the Group and with the relevant governmental departments. Further, the Group has joined the Jiangsu Province Enterprise Informatization Association, so as to achieve closed-loop transparent management of the whole process from patrol, equipment repair and maintenance, special operation, hidden danger investigation to education and training, ensuring the efficiency and standardization of work safety management.



Distributed Control System



5-in-1 work safety information management platform



Central Control Room

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– Installation of safety signs

The Group has set and standardized various safety regulations and warning signs at its production and operational sites, including information on dedicated safety officers in each workshop, occupational health hazard notification cards, Material Safety Data Sheets (MSDS), safety and environmental emergency response procedures, chemical safety information, safety prohibition signs, safety risk point notice boards and emergency evacuation diagrams. The aim is to help employees promptly identify potential hazards in the working environment, understand necessary protective measures and emergency response requirements, continuously enhance safety awareness and self-protection capabilities, and foster a safe and healthy working environment. To further refine safety risk management and enhance operational efficiency, in 2025, the Group introduced QR codes for patrol inspections and area inspections, as well as 4-color safety-risk diagrams in workshop and warehouse areas. This initiative enables the visualization, standardization and digital management of inspection tasks, strengthens the identification of potential hazards and the implementation of closed-loop rectification measures, and improves the levels of safety risk identification, early warning and control.



Safety signage on the factory premises

危化品名称	数量	危险特性	应急处置	备注	责任人	更新时间
三氯甲烷	200	易燃、有毒、腐蚀性	1. 火灾: 用水冷却, 用干粉灭火。2. 泄漏: 用沙土吸收, 收集于密闭容器中。	江苏创新石化有限公司	张三	2024-10-27
甲苯	200	易燃、有毒	1. 火灾: 用水冷却, 用干粉灭火。2. 泄漏: 用沙土吸收, 收集于密闭容器中。	江苏创新石化有限公司	李四	2024-10-27
二甲苯	200	易燃、有毒	1. 火灾: 用水冷却, 用干粉灭火。2. 泄漏: 用沙土吸收, 收集于密闭容器中。	江苏创新石化有限公司	王五	2024-10-27
丙酮	200	易燃、有毒	1. 火灾: 用水冷却, 用干粉灭火。2. 泄漏: 用沙土吸收, 收集于密闭容器中。	江苏创新石化有限公司	赵六	2024-10-27
正己烷	200	易燃、有毒	1. 火灾: 用水冷却, 用干粉灭火。2. 泄漏: 用沙土吸收, 收集于密闭容器中。	江苏创新石化有限公司	孙七	2024-10-27
正庚烷	200	易燃、有毒	1. 火灾: 用水冷却, 用干粉灭火。2. 泄漏: 用沙土吸收, 收集于密闭容器中。	江苏创新石化有限公司	周八	2024-10-27
正辛烷	200	易燃、有毒	1. 火灾: 用水冷却, 用干粉灭火。2. 泄漏: 用沙土吸收, 收集于密闭容器中。	江苏创新石化有限公司	吴九	2024-10-27
正壬烷	200	易燃、有毒	1. 火灾: 用水冷却, 用干粉灭火。2. 泄漏: 用沙土吸收, 收集于密闭容器中。	江苏创新石化有限公司	郑十	2024-10-27
正癸烷	200	易燃、有毒	1. 火灾: 用水冷却, 用干粉灭火。2. 泄漏: 用沙土吸收, 收集于密闭容器中。	江苏创新石化有限公司	冯十一	2024-10-27
正十一烷	200	易燃、有毒	1. 火灾: 用水冷却, 用干粉灭火。2. 泄漏: 用沙土吸收, 收集于密闭容器中。	江苏创新石化有限公司	陈十二	2024-10-27
正十二烷	200	易燃、有毒	1. 火灾: 用水冷却, 用干粉灭火。2. 泄漏: 用沙土吸收, 收集于密闭容器中。	江苏创新石化有限公司	褚十三	2024-10-27
正十三烷	200	易燃、有毒	1. 火灾: 用水冷却, 用干粉灭火。2. 泄漏: 用沙土吸收, 收集于密闭容器中。	江苏创新石化有限公司	卫十四	2024-10-27
正十四烷	200	易燃、有毒	1. 火灾: 用水冷却, 用干粉灭火。2. 泄漏: 用沙土吸收, 收集于密闭容器中。	江苏创新石化有限公司	沈十五	2024-10-27
正十五烷	200	易燃、有毒	1. 火灾: 用水冷却, 用干粉灭火。2. 泄漏: 用沙土吸收, 收集于密闭容器中。	江苏创新石化有限公司	张十六	2024-10-27
正十六烷	200	易燃、有毒	1. 火灾: 用水冷却, 用干粉灭火。2. 泄漏: 用沙土吸收, 收集于密闭容器中。	江苏创新石化有限公司	周十七	2024-10-27
正十七烷	200	易燃、有毒	1. 火灾: 用水冷却, 用干粉灭火。2. 泄漏: 用沙土吸收, 收集于密闭容器中。	江苏创新石化有限公司	吴十八	2024-10-27
正十八烷	200	易燃、有毒	1. 火灾: 用水冷却, 用干粉灭火。2. 泄漏: 用沙土吸收, 收集于密闭容器中。	江苏创新石化有限公司	郑十九	2024-10-27
正十九烷	200	易燃、有毒	1. 火灾: 用水冷却, 用干粉灭火。2. 泄漏: 用沙土吸收, 收集于密闭容器中。	江苏创新石化有限公司	冯二十	2024-10-27
正二十烷	200	易燃、有毒	1. 火灾: 用水冷却, 用干粉灭火。2. 泄漏: 用沙土吸收, 收集于密闭容器中。	江苏创新石化有限公司	陈二十一	2024-10-27

Chemical safety information displayed on noticeboards



4-color safety risk diagram

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– Safety facilities and protective equipment management

The Group implements strict management specifications for the safety facilities of its production plant, covering alarming systems, explosion-proof pressure relief devices, overload protection systems for electrical equipment and eyewash devices, etc. The Group assigns dedicated personnel to be responsible for the periodic inspection and maintenance of the safety facilities to ensure the stable operation of the equipment and to prevent any accidents that may lead to personal injury or equipment damage. The Safety and Environmental Protection Section of the Group is responsible for the management, supervision and inspection of the distribution of labor protection supplies. Each department or section equips its workers with a full set of safety protection supplies according to the specific needs of their production duties, including self-absorbing gas masks, standard protective masks, acid-proof (anti-static) uniforms, acid & alkaline-resistant gloves, helmets, protective eyewear, face protection devices, special welding gloves and anti-smash rubber shoes, etc., so as to comprehensively safeguard the occupational safety and health of the employees. In addition, the company publicized the “Employee safety duties” at the plant with specific rules and regulations include participating in safety activities, learning safety technical knowledge, strictly observing the safety rules and regulations, and carefully checking whether the equipment and safety measures of the post are complete and intact before the shift.



Workshops and warehouses equipped with eye washers



Emergency supplies in workshops

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– Fire Safety Management

The Group has clearly defined fire safety management responsibilities and appointed dedicated fire safety officers and managers to oversee and implement fire safety policies, ensuring that all staff fully understand and strictly adhere to the relevant regulations. To further strengthen accountability and awareness of duties, the Group has signed fire safety commitment agreements with relevant personnel, thereby ensuring that fire safety management responsibilities are firmly established at every level and assigned to specific roles and individuals. With regard to fire safety equipment, whilst the Group has equipped all key areas with basic firefighting equipment such as portable fire extinguishers, in 2025, we added a high-capacity semi-fixed foam fire extinguisher and established miniature fire stations. We assigned designated personnel to be on duty every day to enhance the ability to handle initial fires and respond to emergencies, and further improve the fire safety protection of production and operation sites.



Dedicated fire safety officers & managers appointed



Fire-fighting equipment near workshops



High-capacity semi-fixed foam fire extinguisher

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– *Safety training and emergency drills*

In order to strengthen and standardize safety education and training and to improve the safety qualification of employees, the Group continually updates and improves the Compilation of Work Safety Rules & Regulations, and refines the safety management requirements on employees. According to the departmental hierarchy, the Group's Safety and Environmental Protection Section, workshops and work teams are responsible for the safety training and education of employees at the company level, workshop level and team level, and employees who have not passed the exams following safety training and education shall not be allowed to work. In terms of training hours, the Group requires the main person in charge and the work safety management personnel to have an initial safety training time of not less than 48 hours, followed by an annual re-training time of not less than 16 hours; the safety training time for new employees before they start work is not less than 72 hours followed by an annual re-training time of no less than 20 hours, which compulsorily guarantees that the employees possess necessary knowledge and ability in production safety.

In terms of training content, the Group trains its employees annually on preventive measures against occupational hazards, and conducts emergency drills regularly. In 2025, the Group organized approximately 40 safety skill trainings and drills, covering basic safety knowledge, safe operation of special equipment, training on safety standardisation assessments, and education of hazardous chemical knowledge, as well as various emergency response drills such as on-site handling of hazardous chemical leakage accidents, special emergency response drills for forklift accidents, special emergency response drills for natural disasters, on-site handling emergency response drills for heat stroke, and lightning emergency response drills, which strongly safeguard the health of employees and the safe production of the Group.



Emergency drill for leakage accidents

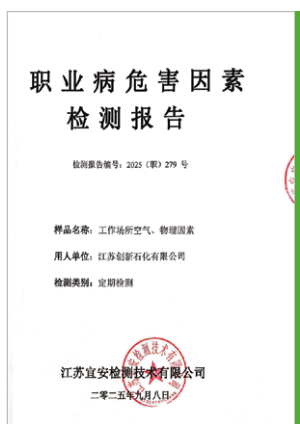


Fire-fighting drill

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

– Occupational disease prevention measures for employees

The Group regards the prevention, control and elimination of occupational diseases and hazards as an important part of its daily management. On the one hand, the Group regularly engages qualified testing organizations to test the concentration (density) of occupational hazards at workplaces every year, and the test results show that the passing rate of dust, toxic substances, noise and other factors at each testing point is always 100%. On the other hand, the Group vigorously carries out publicity and training on occupational health and hygiene, and provides its employees with protective facilities and personal protective equipment in compliance with the requirements on prevention and control of occupational diseases as well as annual medical check-up programs, so as to prevent the employees from serious diseases caused by prolonged exposure to factors such as dust, radioactive substances and other poisonous and harmful substances. In addition, the Group's Leading Team for Healthy Enterprise Construction actively implements the target work program for the prevention and treatment of occupational diseases, coordinates between departments and acquires funds, and at the same time, establishes and maintains the Group's occupational health management records, which effectively protects the health, related rights and interests of the employees.



Inspection report on hazardous factors relating to occupational diseases

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– Management Shift System and Management of External Visitors

The Group has implemented a 24-hour watch-keeping system for management leaders. Group leaders, including the Chairman of the Board, the executive Directors and the senior management, shall be on watch on a 24-hour shift basis to direct and supervise safety, environmental protection and personal protection matters and ensure safe production. For outsiders, the Group implements strict control and requires them to obtain a “temporary access card” from the Production Department by passing the safety education and examination, to enter and exit the second gate of the production area with the “temporary access card”, and to comply with our safety, environmental protection and occupational health requirements during their stay in the Group.



值班内容	日期: 4-21	日期: 4-22	日期: 4-23	日期: 4-24	日期: 4-25
值班人员	王	李	张	赵	孙
生产、设备巡检	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常
环保、安全、消防	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常
原料、辅料、成品	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常
公用工程、环保设施	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常
值班记录	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常
值班交接	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常
值班签字	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常
值班评价	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常
值班总结	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常	<input checked="" type="checkbox"/> 正常
值班备注	正常	正常	正常	正常	正常

Records of management leaders' 24-hour watch-keeping in shifts

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.1.3 Overview of Employee Development and Training

The Group places great emphasis on nurturing and respecting talent as a key priority in its corporate development. It actively upholds a people-oriented philosophy that values merit above all else, providing a platform for all employees to fully demonstrate their abilities. By sharing the fruits of the company's growth with its staff, the Group has established a virtuous cycle in which talent and the organisation thrive together. The Group continuously perfects its Human Resource and Talent Management System and the Employee Handbook. The Group reasonably sets the salary of employees according to their job responsibilities, labor skills and work performance, and decide on their promotion or demotion according to their comprehensive performance such as morality, ability, diligence and results. The Group appoints senior and middle-ranked managers at all levels as the responsible persons for talent cultivation, who are obliged to provide counseling and guidance for the talents in their departments. For key posts, we adopt the cultivation principle of "internal development as the basis, supplemented by recruitment from outside" and the system of "old teaching new", and take a "rolling" approach for cyclical talent cultivation. We include excellent employees into our talent reserve and give them a broader space for development.

According to the Group's Human Resource and Talent Management System and the Employee Handbook, the Group has established a multi-level and comprehensive employee training system. In accordance with the regulations of the government, the Group fully appropriates the education funds for employees for the post and career development training of employees and talents. The Group's current employee education and training system mainly includes new-employee induction training, on-the-job skill training or career development training. For new employees, the Group's training program includes the introduction of labor law, the safety knowledge for each post, the explanation of company rules and regulations and the employee handbook, and the explanation of operating procedures, etc. At the same time, through the "old teaching new" system, we help new employees get familiar with business knowledge. For employees with certain work experiences, the Group arranges reasonable job skill or career development trainings to help them further improve their professional abilities. Among them, for technical personnel, financial & accounting personnel, production safety personnel, special equipment operators, etc., the Group's administration department reminds and urges them to participate in annual training and examinations. The production Department and the Safety and Environmental Protection Section conduct regular trainings and emergency drills for safety and environmental protection personnel; For directors and senior executives, the Group employs qualified professional organizations to conduct training at least once a year to enhance their management capabilities and awareness of responsibility. In addition, the Group encourages employees to improve themselves in their spare time, and rewards employees who obtain important qualifications through self-study during their employment. As per our "4 new" (new technologies, new materials, new devices and new processes) program, the Group actively carries out technical training and learning exchange activities to help employees continuously improve their technical quality.

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In addition to the monthly workshop safety education activities and managerial-department safety trainings, in the Reporting Period, the Group also held emergency response drills covering topics such as comprehensive emergency response drills, specialised drills for natural disasters, on-site response drills for hazardous chemical leaks, and drills for mechanical injury incidents, as well as various specialised training programs including training for directors and senior executives, anti-corruption training for staff, and continuing professional development training for company secretaries. In 2025, all 58 employees of the Group participated in various trainings organized by the Company, with a 100% participation rate. In terms of the number of participants, the total number of hours of training received was 2,256, of which 35 were male, with an average of approximately 40.0 hours of training, and 23 were female, with an average of approximately 37.2 hours of training. By employee position, 7 senior management employees participated in the relevant trainings, with an average training duration of about 21.0 hours; and the average training duration of 44 general employees was about 41.3 hours. By employee function, 14 senior managers participated in the trainings, with an average training duration of approximately 36.0 hours; 19 administrative staff participated in the training, with an average training duration of approximately 34.5 hours; 11 technical staff participated in the training, with an average training duration of approximately 38.0 hours; and 14 production staff participated in the training, with an average training duration of approximately 48.5 hours.

For the year ended 31 December 2025, the trainings received by the Group's employees were as follows:

	Number of employees participating in training	Total hours of training received (hour)	Average training hours attended (hours/person)
Total number of employees trained	58	2,256	38.9
By gender			
Male	35	1,400	40.0
Female	23	856	37.2
By position of employees			
Senior management	7	147	21.0
Middle management	7	294	42.0
Ordinary employee	44	1,815	41.3
By employees' job function			
Senior manager	14	504	36.0
Administrative staff	19	655	34.5
Technical staff	11	418	38.0
Production staff	14	679	48.5

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3.1.4 Guidelines and Measures to Prevent Child Labor or Forced Labor

The Group strictly complies with all applicable labor laws and regulations and the requirements of the local government, and adopts the standard version of labor contracts from the local Human Resources and Social Security Bureau to ensure labor compliance. The Group is committed to eliminating the use of child labor and forced labor, and expressly prohibits such practices in the Human Resources and Talent Management System, with a zero-tolerance stance. In the recruitment process, the Group adheres to the principle of equal employment, respects the legitimate rights and interests of every employee, and strictly examines the age and qualifications of candidates to ensure that labor protection regulations are complied with. At the same time, the Group undertakes not to force anyone to work by means of violence, threats or deprivation of personal freedom, and thereby ensures compliance and maintains ethical standards in the Group's business operation.

According to the Group's Human Resource and Talent Management System, the Administration Department is responsible for protecting the labor rights and interests of employees and handling related complaints and reports, and that employees can report any labor protection-related misconduct to the Administration Department or directly to the managing director when necessary. Further, the Group has revised its supplier management system to ensure that new suppliers are rigorously examined regarding the use of child labour or forced labour as an important part in the assessment of new suppliers, by which we further strengthened the compliance management of the supply chain.

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3.2 ANALYSIS OF CURRENT STATUS OF OPERATIONAL MANAGEMENT

3.2.1 Overview of Supply Chain Management

In 2025, the Group revised its Supplier Management System that first introduced in 2021 and issued edition 2.0. This update further clarified and optimized the management processes such as supplier admission screening, evaluation and assessment, and continuous supervision. The Group carried out supplier management in a more systematic, standardized and professional manner to ensure that suppliers remained legally and compliant and met the requirements of the Group. At the same time, it also took into account considerations related to the corporate social responsibility and sustainable development. Under the management framework of Version 2.0, following a rigorous selection process, the Group's current suppliers demonstrate outstanding performance across multiple key dimensions, including legal and regulatory compliance, corporate credentials, product quality, price competitiveness, delivery efficiency and service capability. The current suppliers with which the Group are cooperating have achieved high standards in their industries in terms of legal compliance, corporate qualifications, product quality, price competitiveness, delivery efficiency and service capability.



Updated Supplier
Management System 2.0
Edition

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Pursuant to the Group's Supplier Management System Version 2.0, the Group's Procurement Department (also known as the Supply Department) is responsible for the management of suppliers and reporting to the general manager on a regular basis, while the Quality Control Department (also known as the Quality Inspection Department) assists and cooperates with the Procurement Department in the evaluation and assessment of suppliers. The main duties of the Procurement Department include searching for qualified suppliers, establishing, update and perfecting the supplier directory, purchasing goods or services, entering into purchasing contracts, supervising the delivery of goods or services and evaluating suppliers, etc. The Quality Control Department, on the other hand, is required to work with other departments to ascertain the quality standards and specifications of materials needed by the Group and to ensure that the purchased materials comply with the requirements by means of testing, acceptance check and sample retention for re-inspection, and to work with the Procurement Department in selecting, assessing and review the suppliers, so as to select high-quality suppliers for the Group.

The Group's supplier selection process strictly follows six key steps: (1) the procurement department conducts extensive searches for potential suppliers of materials and services using a combination of online and offline methods; (2) the procurement department collects information on the profiles of potential suppliers by means of communications such as telephone, facsimile and e-mail and conducts a preliminary screening process in accordance with the Group's basic criteria, and finally identifies approximately three suppliers as candidates; (3) the procurement department conducts on-site surveys to the candidate suppliers, focusing on the production facilities, production capacity, technical ability, traffic and transportation conditions, safety & environmental-protection status, willingness to cooperate, etc. among them, logistics service providers are mainly examined in terms of their vehicles, storage conditions and drivers' qualifications, etc.; (4) for suppliers found satisfactory through the on-site surveys, evaluation forms for new suppliers will be prepared and reported to the department manager for review; (5) after the procurement department has reviewed and approved the suppliers, the procurement department shall discuss on their conditions with the quality control department, the technical department and the production department; for the potential suppliers that have passed the discussion, all the related department managers shall sign the form which will be submitted to the general manager for approval, and then the procurement department shall establish and maintain the filing for the qualified new suppliers; (6) the procurement department is responsible for establishing and updating the list of qualified suppliers in a timely manner, and conducting daily supervision and regular performance assessment of them to ensure the stable and efficient operation of the supply chain.

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Supplier classification and selection

As of 31 December 2025, the Group had 25 major qualified suppliers, including 22 domestic suppliers, accounting for approximately 88.0% and 3 overseas suppliers, accounting for approximately 12.0%. The majority of the domestic suppliers are located in Jiangsu province. There are totally 11 suppliers in Jiangsu province, accounting for 48.0% of the total number of suppliers, while other suppliers are located in Zhejiang, Liaoning and Anhui, etc.

The geographical distribution of the Group's suppliers as of 31 December 2025 is as follows:

Supplier location	Number of suppliers (number)	Proportion (%)
In mainland China	22	88.0%
Jiangsu	12	48.0%
Zhejiang	2	8.0%
Liaoning	1	4.0%
Anhui	1	4.0%
Other areas	6	24.0%
Outside mainland China	3	12.0%

When selecting suppliers, the Group not only pays attention to their product quality and supply capability, but also examines and evaluates their safety, environmental and health management systems, as well as their pollutant discharge license and other related qualifications. In addition, the Group requires that they have not had any major safety, environmental or health incidents in the past three years, have not been listed by the market supervision authority as defaulting enterprises, are not currently a defendant or an entity subject to enforcement in a major litigation case, none of the members of their core management team has any criminal records in the past three years, and have no instances of child labour or forced labour. Under the same conditions of product quality and cost performance, priority will be given to those suppliers that have done a good job in safety management, health management, environmental protection, employee welfare protection and fulfillment of social responsibility, for example, those who can provide the certificates of environmental management system, occupational health and safety management system, safe production standardization, energy efficiency management system and charitable donation, etc. and those who focus on energy conservation and use recyclable or reusable packaging materials. Where applicable, the Group enters into used packaging recycling agreements with suppliers and requires them to recycle used packages. To encourage suppliers to use more environment-friendly products and services, the Group requires suppliers to use tank containers instead of barrels to save packaging materials, and also requires package suppliers to recall and reuse packages.

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In 2025, the Group revised its Supplier Management System, adding a new chapter headed Supplier Code of Conduct. This sets out normative requirements for suppliers in areas such as compliance with laws and regulations, environmental protection, occupational safety and operations, compliant employment practices, and anti-commercial bribery, thereby promoting the implementation of compliance and sustainability principles throughout the entire cooperation process. Furthermore, the policy stipulates that suppliers are responsible for communicating the key provisions of the Group's supplier code of conduct to their relevant employees and subcontractors (where applicable), ensuring that these requirements are effectively implemented at every stage of the supply chain. Should the Group discover that a supplier has seriously breached the aforementioned Code of Conduct, it will issue a request for rectification within a specified timeframe. If a supplier refuses to rectify or fails to do so adequately, the Group will, depending on the circumstances, revoke their status as a qualified supplier and suspend or terminate their supply of products and/or services to the Group.

At present, the Group monitors the use of environmentally friendly products and services by suppliers through telephone and in-person inquiries, requesting material safety data sheets (MSDS) from suppliers, and conducting appropriate tests on whether the goods supplied contain ingredients that are harmful to the environment or health.

The procurement department of the Group is responsible for establishing and timely updating the list of qualified suppliers, and shall not purchase from non-qualified suppliers without the permission of the general manager. For the selection of foreign suppliers, or the selection of suppliers involving tight commodities urgently needed by the Group, the requirements may be appropriately reduced or lowered with the consent of the general manager, so as to obtain a higher cost performance ratio, provided that it does not involve any impact on the safety of production and environmental protection.

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Supplier review and assessment

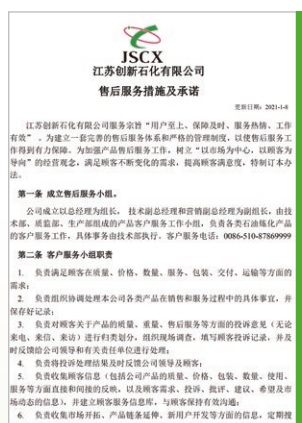
The Group has established an annual supplier performance evaluation mechanism to comprehensively assess the cooperation performance of suppliers. The Procurement Department is responsible for summarizing supplier information and the effects of cooperation, while the Quality Control Department provides quality records for reference. When necessary, the Group will assign professional teams to the suppliers' sites to conduct on-site inspections of their quality control systems and environment & safety management systems. The assessment criteria include multiple aspects, including but not limited to qualification documents, product quality and conformity, quality complaint response speed, price competitiveness, delivery speed, transportation service quality, after-sales service, packaging standardization, accuracy of delivered quantity, completeness of shipping documents, product performance in use, adverse effects of products, etc., and the assessment results are presented in the form of comprehensive scoring. Based on the scoring results, the suppliers will be graded into three levels: qualified, average, and unqualified. For qualified-grade suppliers, the Group will continue to purchase their products; for suppliers of average-grade, we may request them to make improvement and help them to upgrade performance while purchasing from them; for unqualified suppliers, we will suspend purchase and request rectification within a certain period of time. Upon completion of the rectification, the suppliers will be reassessed as per the effects of the rectification, so as to decide whether to resume cooperation with them. Meanwhile, for excellent key suppliers, the Group will arrange annual face-to-face business and technical exchange meetings to enhance communication and collaboration and jointly promote business development and technical advancement.

If a supplier has had a major safety, environmental or health incident, or is penalized by government authorities in safety, environmental or social aspects (including the use of child labour or forced labour), the Group will immediately re-assess the supplier upon learning of the incident or penalty, and depending on the circumstances, issue a time-limited rectification requirement to the relevant supplier; Should a supplier refuse to rectify the issues, fail to do so adequately, or if the assessment reveals that the problem is serious, the Group will take decisive measures, including but not limited to revoking their status as a qualified supplier, suspending or cancelling the supplier's qualification. If the quality defects of the goods supplied by a supplier causes the Group to be claimed by customers or causes safety and environmental accidents, the Group will take stringent measures to permanently revoke the supply qualification of the relevant supplier. In addition, if a logistics service provider uses unqualified vehicles or drivers, causing the Group to delay in delivery and be claimed, the Group will permanently stop the cooperation with this logistic service provider, and will seek compensation through negotiation or legal proceedings to preserve the interests and reputation of the Group.

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3.2.2 Product Liability Overview

The Group has formulated “Measures and Commitments for After-sales Service”, with the aim of establishing a comprehensive after-sales service system and a rigorous management regime to meet customers’ evolving needs and enhance customer satisfaction. The Group’s after-sales service primarily covers four areas: “Service response, on-site follow-up, expert Q&A and technical training”, and hired petrochemical experts as representatives of after-sales service to provide our customers with professional support and solve all kinds of technical problems. The Group promises that customers can get technical consultation whenever a problem occurs during the use of our products; if on-site service is required, the Group’s technical service personnel can arrive at the site to assist in resolving the issue within 24 hours after receiving the notice from the customer. Furthermore, the Group conducts an annual customer satisfaction survey, in which the after-sales service team distributes customer satisfaction questionnaires to our customers in the proportion of 100%, 10% and 1%, in order to receive feedbacks and constantly improve and enhance the Group’s management and service level. In 2025, there was no case of recall of products sold or shipped by the Group due to safety and health issues, no one of our customers raised any recall request, and the Group did not receive any complaints about its products or services. Any technical or product-use queries raised by domestic and international users are promptly addressed and resolved by the Group’s technical staff, who also provide technical guidance. Furthermore, the Group conducts regular follow-up visits to users of its main products, providing ongoing technical support to assist in resolving issues encountered during use, thereby ensuring optimal performance of our products.



After-sales service measures and commitments

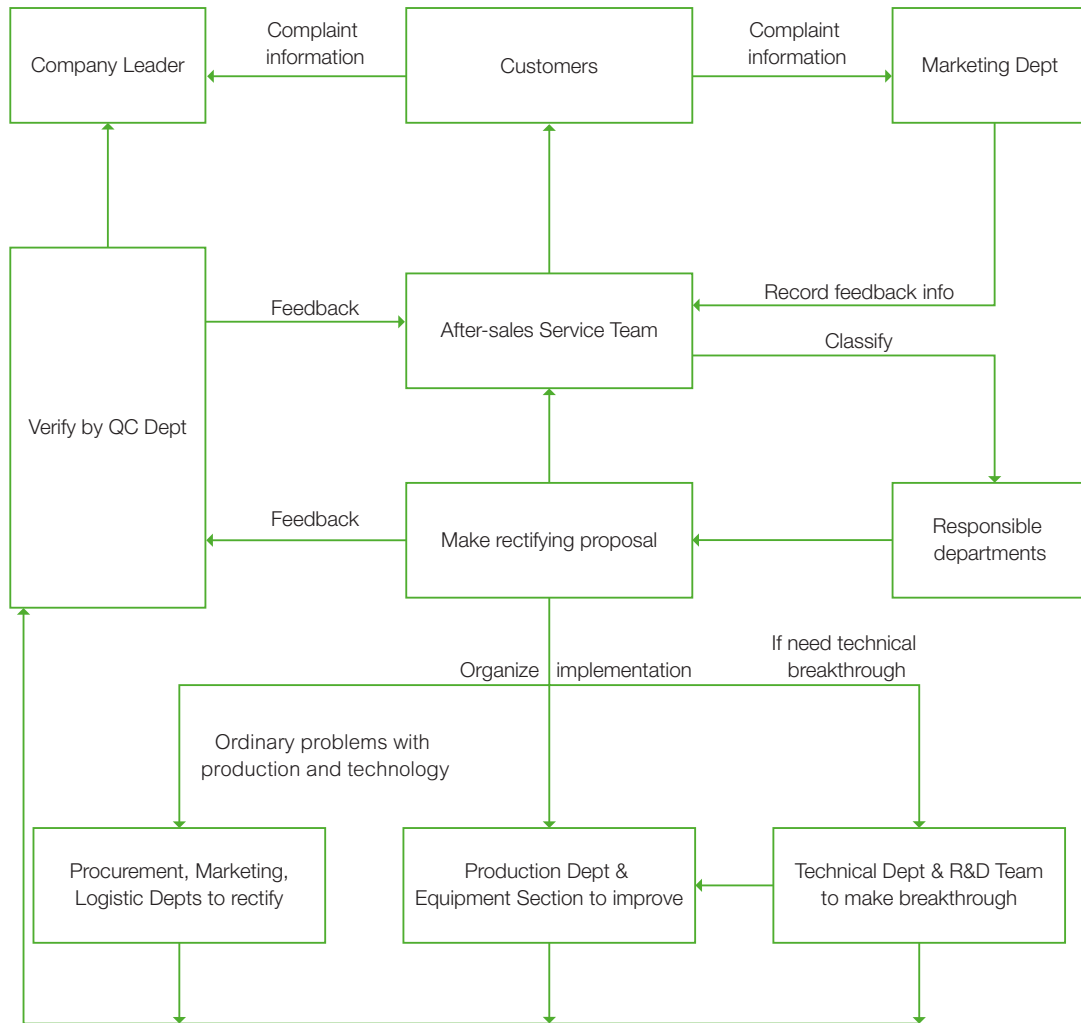


Customer Follow-up Record

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The Group has established a customer service working team headed by the general manager, with the vice general manager for technology and the vice general manager for marketing as deputies, and comprises members from key departments such as the technology department, the quality control department and the production department, among which the technology department is responsible for the execution of specific matters. This team is equipped with a service hotline to ensure barrier-free communication between customers and the Group. The Group's technical and sales staff timely respond to and solve customers' questions and problems relating to technology and product use. In case of complaints, the Group's after-sales service team will respond within 2 hours. For product quality complaints, the technical department will promptly study and resolve the customer's concerns and complaints based on the customer complaint information collected by the after-sales service team. For the products under complaint, the technical department will immediately test the samples retained in the Group's laboratory and at the same time take samples from the customer's site to be tested in our laboratory. If there is any dispute, the samples will be sent to a qualified third-party laboratory for testing. If the product quality is confirmed to be defective, after obtaining the consent of the customer, the Group will promptly take technical remedial measures, including replacement with qualified products of good effects, and at the same time, the Group will bear the cost for recalling the defective products. We will conduct in-depth analysis of the defective products and propose corresponding rectification measures to prevent the recurrence of the same kind of problems. For the complaints of quantity shortage, the technical department will cooperate with the production department and the finished product warehouse keeper to find out the cause and put forward rectification suggestions or plans. For complaints about product transportation, the Group's procurement department and technical department will find out and measure the problems of the outsourced transporters and work out corrective measures. In addition, the Group also implements regular visits to our major product users to provide technical support and solve problems arising during the use, so as to ensure the best user experience.

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The Group's Customer Complaint Handling Procedures

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Intellectual property management

The Group has formulated a detailed Intellectual Property & Trademark Management System in accordance with the Patent Law of the PRC * (中華人民共和國專利法) and its Implementation Rules as well as other relevant regulations, so as to fully protect the Group's trademarks and intellectual property rights. Which specifies the trademark management process, the patent management process, the preservation of documents and the division of related responsibilities and powers, etc. This system is to be updated on a five-year cycle in accordance with market conditions and the Group's business development, so as to guarantee the high effectiveness and adaptability of the Group's management on intellectual property and trademark. The Group's technical department is responsible for the management of intellectual property rights, and shall carry out the application, maintenance, updating and renewal of patent rights and trademarks, and shall make sure that all relevant documents and data are properly kept. The administration department shall provide necessary support and assistance. In recent years, the Group has obtained and maintained numerous national patent rights in China, while actively expanding into the international market and registering overseas trademarks, so as to fully protect the Group's business reputation and market competitiveness. In addition, the Group always respects and protects the intellectual property and commercial secrets of its cooperating partners, and establishes honest and harmonious cooperative relationships with its partners. Through the joint efforts of our relevant departments, the Group secured 3 new national invention patents in 2025. Meanwhile, the Group not only registered and maintained its trademarks domestically, but also actively promoted the registration of international trademarks, further consolidating the global layout of our brand protection.

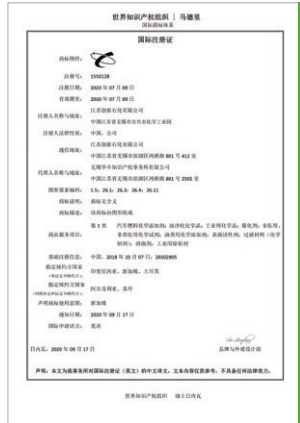


New patent rights obtained in 2025

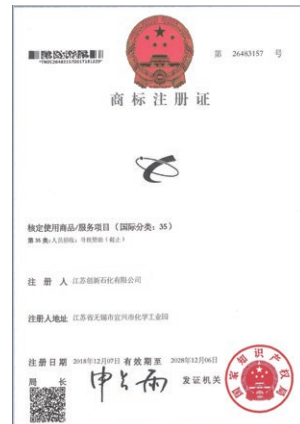
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Madrid International Trademark Certificate



Indonesia Trademark Certificate

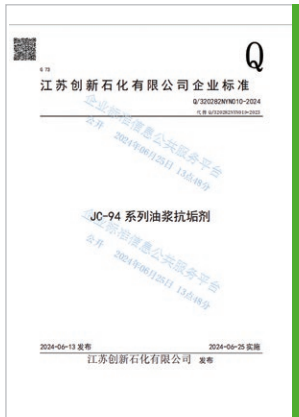


Trademarks registered in the PRC

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Product quality management and inspection

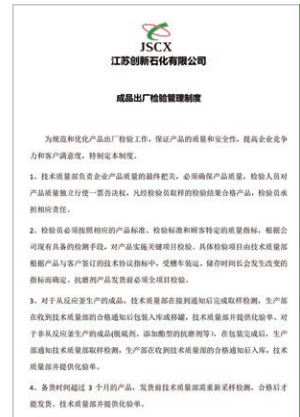
The Group has formulated complete and advanced company standards for its products, including oil slurry scale inhibitors series, multi-functional metal passivators series, etc., so as to make sure that our product quality is always leading in the trade. The Group conducts strict procedures for product quality inspection and appraisal, and prohibit the sale of substandard products in the market. The Group has always maintained its own laboratory at a leading position in the trade in terms of technical equipment and testing abilities. Our laboratory was successfully certified by CNAS (China National Accreditation Service for Conformity Assessment) in recent years. The Group regularly sends its products to qualified authoritative third-party inspection institutions for independent testing and retesting, so as to further improve the objectivity and accuracy of the Group's internal testing results. Through the external audit mechanism, the Group has continuously optimized its internal testing process and upgraded its testing technology, so as to ensure the long-term stability and reliability of the quality of its products. Concurrently, the Group formulated a "Management System for Ex-factory Inspection of Finished Products", which stipulates the core responsibilities of the technical and quality departments in the control of the quality of the Group's products, including independently exercising the right of veto, carrying out inspections of key items in accordance with the standards, ensuring that the products are qualified prior to shipment, permitting special releases in special circumstances and post facto supplemental inspections, filling out and transmitting inspection records and certificates of conformity as well as the process for registering and storing retained samples, etc., so as to ensure the quality and safety of our products and improve our competitiveness and customer satisfaction.



Company Standard of JC-94 Series Oil Slurry Scale Inhibitors



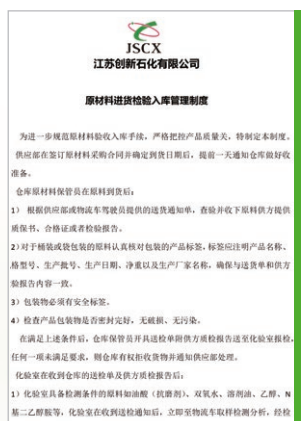
Our lab is certified by CNAS



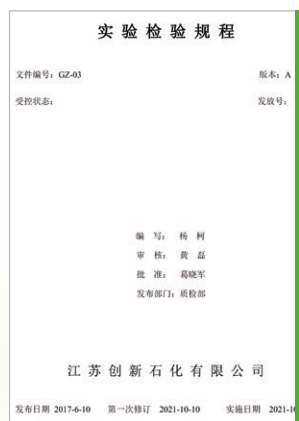
Management System for Ex-factory Inspection of Finished Products

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With regard to the procurement of raw and auxiliary materials, the Group has established a detailed “Raw Material Incoming Inspection Management System”, which further standardizes the process of acceptance and warehousing of raw materials and clarifies the responsibilities of warehouses, laboratories and relevant departments, so as to ensure that the quality of raw materials meets the standards. Our quality control department has formulated detailed laboratory inspection procedures, which clearly set out the standards for the inspection and testing of incoming materials, the main technical specifications on raw and auxiliary materials, the in-process inspection & testing and the final inspection & testing. Upon the arrival of raw and auxiliary materials at the factory, the warehouse will issue an inspection request slip and inform the quality control department to collect and test samples. For raw materials and technical indexes that the Group is able to test, the quality control department conducts tests in accordance with our internal testing procedures or relevant national standards. For raw materials with testing results meeting the Group’s Technical Requirements for Major Raw and Auxiliary Materials, the quality control department will issue a raw material quality inspection pass to notify the warehouse to weigh and accept the raw materials. For raw materials and technical indexes that the Group is temporarily not able to test, according to the inspection report provided by the supplier, the quality control department shall verify carefully the product name, specifications, manufacturer, production date, outer package labels and intactness of packages. For raw materials that meet all the requirements, the quality control department will issuing a raw material verification inspection pass and notify the warehouse for weighing and storage. If the products do not meet our requirements, regardless of whether we have the testing capability or not, they will be treated in accordance with the provisions in the Control Procedures for Non-conforming Products in the Group’s Procedural Manual for Quality, Environment and Occupational Health and Safety Management System, so as to make sure that all the raw and auxiliary materials conform to the quality standard of the Group.



Raw Materials Incoming Inspection System



Laboratory Testing Procedures – Raw and Auxiliary Materials

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New suppliers are required to submit samples for comprehensive evaluation by the Group's quality control, technical, research & development departments prior to supply. This evaluation will be done by conducting a small trial in a laboratory environment according to the production technologies. If the trialed product meets the expected standards, the technical and research & development departments will prepare a detailed report on the trial and send it to other relevant departments. In addition, the quality control department, independently or in collaboration with other departments, shall conduct occasional assessments of the suppliers' production and testing capabilities, so as to check the completeness of their quality assurance system, which, combined with our trial use results, will provide an important basis for the selection of qualified suppliers. In case of any unqualified testing results or product verification results, the quality control department must immediately report to the senior management of the company so that corresponding countermeasures can be formulated and implemented.

In order to improve the overall performance in health, safety and environmental protection of the Group, we have not manufactured hazardous chemicals and have gradually reduced the amount of hazardous chemicals used in the production process, as a result, we no longer need a License for the Safe Use of Hazardous Chemicals after being audited by the relevant authorities. Meanwhile, the Group has complied with the relevant provisions of the Measures for the Administration of License for Trading in Hazardous Chemicals and holds a valid License for Dealing in Hazardous Chemicals. In order to ensure the safety and compliance in the use of our products, the Group has compiled a complete Material Safety Data Sheet for each product, which provides clear procedures and guidance on handling, storage, transportation, use, environment protection, waste disposal, emergency response, and personal protection, etc. relating to the product to ensure the whole process is safe and controllable. In response to special requirements from certain clients, we have also engaged professional organisations to compile Material Safety Data Sheets (MSDS) in accordance with United Nations and European Union standards.

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The Group holds a valid license for dealing in hazardous chemicals



Material Safety Data Sheets (MSDS)

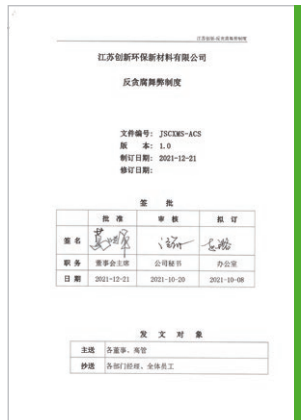
Customer data and privacy protection policy

The Group attaches great importance to the confidentiality of customer information and takes a number of measures to ensure data security. Customers' information are mainly stored in the Group's file room and encrypted computer system, and the Group has arranged dedicated personnel to manage the files. To strengthen the security of computer systems and networks, the Group has formulated a "Computer Network Management System" to strictly manage customer information stored in computers, so as to ensure the security of customer information. The Group purchases and uses genuine operating systems and office software, and installs anti-virus software on each computer. The Group performs a comprehensive virus scan for all the computers on the 25th day of each month, and immediately remove any virus found to ensure that customer information is not compromised. In addition, no external data storage devices are allowed to be used without the approval of the manager. After approval is granted, a valid virus detection program must be run before operation. For critical software, the Group audits user accounts and access settings every six months to ensure that they are in compliance with our regulations. In case any abnormality occurs, we will immediately trace the causes, and if any misconduct is found, penalties will be imposed in accordance with management system. For sensitive files, the Group has implemented separate password protection measures to safeguard the confidentiality of data. In addition, the Group conducts regular monthly data backups and server room inspections, focusing on temperature, humidity, equipment condition and server status to ensure the completeness and security of customer information.

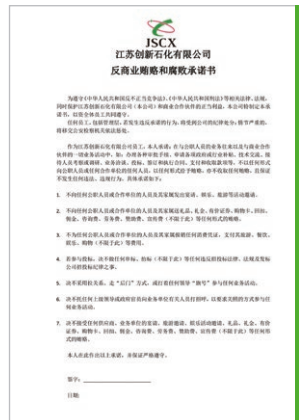
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.2.3 A Brief Analysis of Corporate Anti-corruption Measures

The Group has always regarded clean operation as the cornerstone of its sustainable corporate development, and continually improves its anti-corruption management system and committed to building a corporate culture of integrity, transparency and compliance. The Group has formulated and consistently implemented a series of anti-corruption policies, including the Anti-corruption & Fraud Policy, the Whistle-blowing Policy, the Code of Conduct & Compliance for Employees, Employee Handbook, etc., in which the duties and obligations of the Board, the management and all the employees in preventing and combating corruption and fraud are clearly set out. In addition, every new employee is required to sign an Anti-Bribery & Corruption Pledge to ensure their compliance with the Group's rules and regulations. The Group adopts a "zero tolerance" policy for corrupt practices, and clearly prohibits any personnel from engaging in any form of bribery, acceptance of bribes, embezzlement, misappropriation of funds, financial and personnel malpractice and infringement of business secrets. In order to ensure the effective implementation of the system, the Group conducts annual anti-corruption-related training for directors, senior managers and employees in key posts, and includes integrity education into the mandatory course of new employee induction training to strengthen the awareness of integrity and self-discipline of all employees. In 2025, the Group continuously monitors and evaluates the effectiveness of its anti-corruption efforts through multiple channels, including internal audits, whistleblowing mechanisms and external oversight. The Group did not identify or receive any reports of corruption, and there have not been any litigation cases relating to corruption or bribery.



Anti-corruption & fraud policy



Anti-bribery & corruption pledge

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

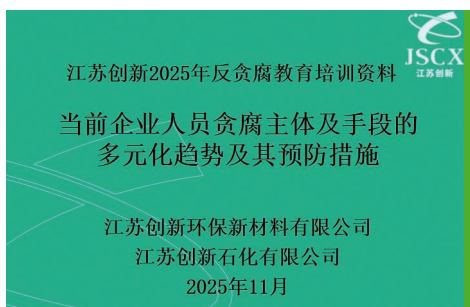
The Group's anti-corruption monitoring work is primarily the responsibility of the Group Office, which is mainly responsible for coordinating anti-corruption work at all levels and departments, and shall carry out regular supervision and inspections. The Group Office shall report to the Group's management twice a year on the findings of inspections, detailing the progress of anti-corruption work. All levels and departments within the Group shall cooperate with the Group Office in fulfilling their key responsibilities regarding anti-corruption work, and ensure the effective operation of the anti-corruption system. All the functional departments are also required to undertake an obligation to prevent and combat corruption, including conducting ongoing reviews of the operation of respective departments, identifying risk spots, and making recommendations to management or the Board for improving anti-corruption policies and procedures. In addition, every department is responsible for investigating or unconditionally assisting the monitoring team in investigating corruption within the department, and promptly taking appropriate actions in accordance with the Group's regulations. According to the policies of the Group, any corrupt practices found by any employee should be reported immediately, in an open or anonymous manner, to the head of the department or higher level management, or directly to the Chief Executive Officer, the audit committee, the Board, or by calling the hotline or sending emails for timely corrective actions.

The Group implements closed-loop management of reporting matters, and the Group Office is responsible for the handling, tracking, recording and filing of reported matters. After receiving the report information, the Group Office shall promptly report to the corresponding department head or the Group's management; Major or management personnel related reports shall be submitted directly to the Group's board committees or the Board. The board committee or the Board shall form an investigation team to conduct an investigation and then write an investigation report. For verified violations, the Group shall punish the responsible persons in accordance with the internal rules and regulations; For suspected violation of laws or criminal acts, it shall be handed over to the state law enforcement agencies. The Group will keep confidential the personal information of anonymous whistleblowers and provide personal protection when necessary; At the same time, the Group will provide reasonable spiritual or material rewards to whistleblowers as appropriate; The Group also encourages its employees to inform stakeholders, such as customers, of the reporting methods, so as to have joint supervision from within and outside the Group, and provide timely feedback on the results of punishment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For corruption and fraud happened, we have clearly defined the corresponding punishment mechanism: for acts that have caused economic loss, the loss must be recovered, and depending on the amount of loss, the responsible person shall be imposed a financial penalty of 50% to 500% of the amount of loss. If the act has violated the criminal law, it will be handed over to the judicial authorities. In the case that no economic loss has been caused, a warning, a public notice of criticism, a salary cut, a demotion, etc. shall be given according to the circumstances; in the case that the violation is very serious or has caused significant negative impact to the Group, dismissal shall be made according to the labor law. In addition, for the corrupt behavior of subordinates, the leader shall bear joint responsibilities and be held responsible for management negligence depending on the severity of the circumstances.

In November 2025, the Group conducted an anti-corruption training for all relevant employees. Combined with actual cases, the training provided a detailed explanation of the current trends towards diversification in the perpetrators and methods of corporate corruption, as well as the corresponding preventive measures. The content covered the characteristics and trends of corporate corruption, the driving factors behind its diversification, legal sentencing standards, and up-to-date measures for corporate corruption prevention. Through systematic trainings, the Group has not only enhanced the awareness of law-abiding among the Group members, but also strengthened their ability to identify and prevent potential corruption risks.



Anti-corruption
training materials

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.3 OVERVIEW OF COMMUNITY INVESTMENT

In 2025, the Group continued to adhere to the concept of mutual assistance and cooperation, actively fulfilled its corporate social responsibility and promoted the synergistic development of the enterprise and the community. The Group always pays attention to the needs of the community and continuously carries out visits and sympathy activities for poor families, providing them with daily necessities and effectively improving the living conditions of the people in need. At the same time, the Group is deeply involved in community welfare undertakings, supporting calligraphy, painting and artwork charity sales, not only contributing to community welfare undertakings, but also further promoting the cultural heritage of the famous painter, Mr. Xu Beihong's hometown, highlighting the Group's emphasis on and support for local cultural heritage. In terms of monetary investment, the Group allocates funds for community welfare undertakings every year, and the amount of investment in the past ranged from RMB20,000 to RMB100,000. In the event of a major natural disaster in the community, the Group will respond promptly by increasing the support in terms of funds, materials and manpower to assist the community in restoring the order of production and life and fulfilling the social responsibility of the enterprise in a practical manner. On 11 January, 2025 (before the Chinese New Year), the Group donated RMB100,000 to the Yixing Red Cross to provide emergency relief to Tibet following the earthquake, supporting the people in the disaster-stricken areas of Tibet through concrete actions and conveying the Group's care and warmth.



The Group donated funds to support earthquake relief efforts in the disaster-stricken areas of Tibet

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report
to the shareholders of Jiangsu Innovative Ecological New Materials Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Jiangsu Innovative Ecological New Materials Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 141 to 196, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") as issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Revenue recognition	
Refer to note 3 to the consolidated financial statements and the accounting policies on pages 160 to 162.	
The Key Audit Matter	How the matter was addressed in our audit
<p>The Group's revenue is mainly derived from sale of oil refining agents and fuel additives.</p> <p>The Group recognises revenue when the Group satisfies its performance obligations by transferring the control of promised goods to the customer. Management evaluates the terms of individual contracts in order to determine the appropriate timing for revenue recognition, which varies amongst customers.</p> <p>The Group determines that control of goods are transferred for domestic sales when the goods are delivered to the customer's designated premises and accepted by these customers, and for export sales when the goods are loaded on board a shipping vessel in line with contractual arrangements and related agreed commercial shipping terms.</p>	<p>Our audit procedures to assess the recognition of revenue included the following:</p> <ul style="list-style-type: none"> obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over revenue recognition; inspecting customer contracts, on a sample basis, to identify terms and conditions relating to the timing of control over goods transfer and assessing the Group's timing of recognition of revenue with reference to the requirements of the prevailing accounting standard; comparing revenue transactions recorded during the current year, on a sample basis, with sales contracts and goods delivery documents like customers' acknowledgement of goods acceptance, shipping documents, customs declaration forms, whichever is applicable, and assessing whether the related revenue had been recognised in accordance with the Group's revenue recognition accounting policies;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTER *(continued)*

Revenue recognition	
Refer to note 3 to the consolidated financial statements and the accounting policies on pages 160 to 162.	
The Key Audit Matter	How the matter was addressed in our audit
We identify recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations.	<ul style="list-style-type: none"> comparing, on a sample basis, revenue transactions recorded before and after the reporting date with underlying goods delivery documents like customers' acknowledgement of goods acceptance, shipping documents, customs declaration forms, whichever is applicable, to determine whether the related revenue had been recognised in the appropriate financial period; inspecting underlying documentation for journal entries relating to revenue which meet specified risk-based criteria.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong, Chi Yeung. (practising certificate number: P08077).

KPMG

Certified Public Accountants

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

23 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2025

(Expressed in Renminbi (RMB) Yuan)

	Note	2025 RMB'000	2024 RMB'000
Revenue	3	203,882	182,200
Cost of sales		(157,755)	(140,946)
Gross profit		46,127	41,254
Other income	4	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 loss reversed/(recognised) of trade receivables	19(a)	1,046	(1,059)
Profit from operations		19,733	17,471
Finance costs	5(a)	-	(5)
Profit before taxation	5	19,733	17,466
Income tax	6	(4,039)	(3,484)
Profit for the year		15,694	13,982
Earnings per share	9	3.27	2.91
Basic and diluted (RMB cents)			

The notes on page 147 to 196 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2025

(Expressed in Renminbi Yuan)

	2025 RMB'000	2024 RMB'000
Profit for the year	15,694	13,982
Other comprehensive income for the year (after tax and reclassification adjustments):		
<i>Items that will not be reclassified to profit or loss:</i>		
Exchange differences on translation of financial statements of the Company	(2,392)	2,166
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries outside Chinese mainland	1,425	(1,233)
Other comprehensive income for the year	(967)	933
Total comprehensive income for the year	14,727	14,915

The notes on page 147 to 196 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2025
(Expressed in Renminbi Yuan)

	Note	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	10	38,120	38,712
Right-of-use assets	11	2,704	2,804
		40,824	41,516
Current assets			
Inventories	13	33,607	28,877
Trade and other receivables	14	75,783	104,626
Prepayments		1,002	6,103
Restricted bank deposits	15	2,068	250
Bank deposits with original maturity over three months	15	15,000	10,000
Cash and cash equivalents	15	114,566	85,251
		242,026	235,107
Current liabilities			
Trade and other payables	16	31,911	37,356
Income tax payable	17(a)	3,530	3,545
		35,441	40,901
Net current assets		206,585	194,206
Total assets less current liabilities		247,409	235,722
Non-current liabilities			
Deferred tax liabilities	17(b)	5,153	3,765
		5,153	3,765
NET ASSETS		242,256	231,957

The notes on page 147 to 196 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2025

(Expressed in Renminbi Yuan)

	Note	2025 RMB'000	2024 RMB'000
CAPITAL AND RESERVES			
Share capital	18	3,873	3,873
Reserves	18	238,383	228,084
TOTAL EQUITY		242,256	231,957

Approved and authorised for issue by the board of directors on 23 March 2026.

Ge Xiaojun)
) Directors
Gu Jufang)
)

The notes on page 147 to 196 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2025

(Expressed in Renminbi Yuan)

	Share capital	Share premium	Capital reserve	PRC statutory reserve	Exchange reserve	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 18(c)	Note 18(d)	Note 18(e)	Note 18(f)	Note 18(g)		
Balance at 1 January 2024	3,873	83,937	79,938	28,621	6,886	22,498	225,753
Profit for the year	-	-	-	-	-	13,982	13,982
Other comprehensive income	-	-	-	-	933	-	933
Total comprehensive income	-	-	-	-	933	13,982	14,915
Appropriation to reserve	-	-	-	1,536	-	(1,536)	-
Dividends approved in respect of the previous year (note 18(b))	-	(8,711)	-	-	-	-	(8,711)
Balance at 31 December 2024 and 1 January 2025	3,873	75,226	79,938	30,157	7,819	34,944	231,957
Profit for the year	-	-	-	-	-	15,694	15,694
Other comprehensive income	-	-	-	-	(967)	-	(967)
Total comprehensive income	-	-	-	-	(967)	15,694	14,727
Appropriation to reserve	-	-	-	1,733	-	(1,733)	-
Dividends approved in respect of the previous year (note 18(b))	-	(4,428)	-	-	-	-	(4,428)
Balance at 31 December 2025	3,873	70,798	79,938	31,890	6,852	48,905	242,256

The notes on page 147 to 196 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2025

(Expressed in Renminbi Yuan)

	Note	2025 RMB'000	2024 RMB'000
Operating activities:			
Cash generated from operations	15(b)	44,770	13,080
Income tax paid	17(a)	(2,666)	(3,138)
Net cash generated from operating activities		42,104	9,942
Investing activities:			
Payment for the purchase of property, plant and equipment		(4,809)	(4,761)
Payment for investments in wealth management products		(10,000)	–
Proceeds from redemption of wealth management products		10,061	–
Proceeds from investments in time deposits		10,000	–
Payment for investment in time deposits		(15,000)	(10,000)
Interest received		2,288	2,832
Net cash used in investing activities		(7,460)	(11,929)
Financing activities:			
Proceeds from other borrowings		–	470
Repayment of other borrowings		–	(470)
Interest paid		–	(5)
Dividends paid to equity shareholders of the Company		(4,428)	(8,711)
Net cash used in financing activities		(4,428)	(8,716)
Net increase/(decrease) in cash and cash equivalents		30,216	(10,703)
Effect of foreign exchange rate changes		(901)	750
Cash and cash equivalents at beginning of the year	15(a)	85,251	95,204
Cash and cash equivalents at end of the year	15(a)	114,566	85,251

The notes on page 147 to 196 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi 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 except for certain financial instruments as disclosed in note 19(d).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

(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.

Judgment made by management in the application of HKFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2.

(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 has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(h)(ii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(e) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the consolidated statements of financial position at cost, less accumulated depreciation and any accumulated impairment losses (see note 1(h)(ii)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straightline method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

– Plant and buildings	10 – 20 years
– Machinery and equipment	10 years
– Office and other equipment	5 years
– Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see note 1(h)(ii)). Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(f) Research and development

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (continued)

(g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

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

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 1(h)(ii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost. Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (continued)

(g) Leased assets (continued)

As a lessee (continued)

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

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(h) Credit losses and impairment of assets

(i) *Credit losses from financial assets measured at amortised cost*

The Group recognises a loss allowance for expected credit losses (“ECL”s) on financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (continued)

(h) Credit losses and impairment of assets (continued)

(i) Credit losses from financial assets measured at amortised cost (continued)

Measurement of ECLs (continued)

The expected cash shortfalls are discounted using the following rates if the effect is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (continued)

(h) Credit losses and impairment of assets (continued)

(i) Credit losses from financial assets measured at amortised cost (continued)

Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is 180 days past due.

The Group considers a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for financial assets measured at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (continued)

(h) Credit losses and impairment of assets (continued)

(i) Credit losses from financial assets measured at amortised cost (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties of the issuer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (continued)

(h) Credit losses and impairment of assets (continued)

(i) Credit losses from financial assets measured at amortised cost (continued)

Credit-impaired financial assets (continued)

(i) Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest Group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or Groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset, or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(i) Inventories

Inventories are measured at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see note 1(h)(i)).

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL (see note 1(h)(i)).

(l) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(r)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (continued)

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoiced amounts.

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 1(t).

(o) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution retirement plan

Contributions to PRC local retirement schemes pursuant to the relevant labor rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(p) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income (“OCI”).

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(p) Income tax *(continued)*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(q) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) *Revenue from contracts with customers*

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (continued)

(r) Revenue and other income (continued)

(i) Revenue from contracts with customers (continued)

(a) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the goods.

The Group offers warranties for its goods for up to eighteen months from the date of sale. A related provision is recognised in accordance with note 1(q).

The Group typically offers customers of good rights of return. Such rights of return give rise to variable consideration. The Group uses an expected value approach to estimate variable consideration based on the Group's current and future performance expectations and all information that is reasonably available. This estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. At the time of sale of goods, the Group recognises revenue after taking into account adjustment to transaction price arising from returns as mentioned above. A refund liability is recognised for the expected returns and rebates, and is included in other payables. A right to recover returned goods and corresponding adjustment to cost of sales are also recognised for the right to recover goods from customers. This right to recover returned goods is measured at the former carrying amount of the inventory less any expected costs to recover goods (including potential decreases in the value of the returned goods).

(b) Service income

Service income is recognised when the Group satisfies a performance obligation by transferring a promised service to a customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (continued)

(r) Revenue and other income (continued)

(ii) Other income

(a) Interest income

Interest income is recognised using the effective interest method. The “effective interest rate” is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(b) Government grants

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and consequently are recognised in profit or loss on a systematic basis over the useful life of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(s) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in OCI and accumulated in the exchange reserve.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the non-controlling interests (“**NCI**”) shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(u) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

Key sources of estimation uncertainty are as follows:

(i) Provision for expected credit losses of trade receivables

The Group uses a provision of matrix to calculate ECLs for trade receivables. The provision matrix is based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the ageing of trade receivable balances, the repayment history of the Group's individual customers, current market conditions and customer-specific conditions, all of which involve a significant degree of management judgement.

The provision of ECLs is sensitive to changes in circumstances and of customer-specific conditions. The information about the ECLs and trade receivables are disclosed in notes 14 and 19(a). If the financial condition of the customers was to deteriorate, actual loss allowance would be higher than estimated.

(ii) Net realizable value of inventories

As described in note 1(i), net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

Management reassesses these estimations at the end of each reporting period to ensure inventory is shown at the lower of cost and net realisable value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

3 REVENUE

(a) Disaggregation of revenue

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

	2025 RMB'000	2024 RMB'000
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	–
Total	203,882	182,200

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. Details of concentrations of credit risk arising from these customers are set out in note 19(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

3 REVENUE (continued)

(a) Disaggregation of revenue (continued)

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

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of revenue is based on the customers' location. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, 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 PRC.

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

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

4 OTHER INCOME

	2025 RMB'000	2024 RMB'000
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)
Total	4,009	6,002

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2025 RMB'000	2024 RMB'000
Interest on other borrowings	–	5

(b) Staff costs

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

- (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

5 PROFIT BEFORE TAXATION (continued)

(c) Other items

	2025 RMB'000	2024 RMB'000
Cost of inventories (i) (note 13(b))	162,942	144,526
Depreciation of property, plant and equipment (note 10)	5,455	5,694
Depreciation of right-of-use assets (note 11)	100	100
Impairment losses (reversed)/recognised of trade receivables (note 19(a))	(1,046)	1,059
Auditors' remuneration		
– audit services	888	1,165
– tax services	29	29
	917	1,194

- (i) Cost of inventories includes the following amounts, which are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

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

6 INCOME TAX

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

	2025 RMB'000	2024 RMB'000
Current tax:		
Provision for current income tax for the year (note 17(a))	2,455	2,265
Under-provision in prior years (note 17(a))	196	91
	2,651	2,356
Deferred tax:		
Origination and reversal of temporary differences (note 17(b))	1,388	1,128
	4,039	3,484

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

6 INCOME TAX (continued)

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

	2025 RMB'000	2024 RMB'000
Profit before taxation	19,733	17,466
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)	1,560	1,383
Actual income tax expense	4,039	3,484

(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%.

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(Expressed in Renminbi Yuan unless otherwise indicated)

7 DIRECTOR'S EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2025

	Director's fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Ge Xiaojun	–	456	128	–	584
Ms. Gu Jufang	–	298	–	–	298
Mr. Huang Lei	–	207	138	9	354
Mr. Jiang Caijun	–	207	100	9	316
Mr. Fan Yaqiang	–	107	100	9	216
Non-executive director					
Mr. Gu Yao	90	–	–	–	90
Independent non-executive directors					
Mr. Fan Peng	90	–	–	–	90
Mr. Guan Dongtao	90	–	–	–	90
Ms. Wu Yan	90	–	–	–	90
	360	1,275	466	27	2,128

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7 DIRECTOR'S EMOLUMENTS (continued)

Year ended 31 December 2024

	Director's fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Ge Xiaojun	–	435	128	–	563
Ms. Gu Jufang	–	306	–	–	306
Mr. Huang Lei	–	185	138	9	332
Mr. Jiang Caijun	–	185	100	9	294
Mr. Fan Yaqiang	–	107	100	9	216
Non-executive director					
Mr. Gu Yao	111	–	–	–	111
Independent non-executive directors					
Mr. Fan Peng	111	–	–	–	111
Mr. Guan Dongtao	111	–	–	–	111
Ms. Wu Yan	111	–	–	–	111
	444	1,218	466	27	2,155

Mr. Ge Xiaojun and Ms. Gu Jufang were retired and re-appointed as executive directors of the Company on 23 May 2025.

Mr. Gu Yao were retired and re-appointed as non-executive director of the Company on 23 May 2025.

All Executive directors of the Group waived or agreed to waive director's fees during the year.

During the year, there was no amount paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 8 below as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2024: four) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other one (2024: one) individuals are as follows:

	2025 RMB'000	2024 RMB'000
Salaries, allowance and benefits in kind	207	157
Discretionary bonuses	100	100
Retirement scheme contributions	9	9
Total	316	266

The emoluments of the one (2024: one) individuals with the highest emoluments are within the following band:

	2025 Number of individuals	2024 Number of individuals
Nil – HK\$1,000,000	1	1

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB 15,694,000 (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	480,000,000	480,000,000
Weighted average number of ordinary shares	480,000,000	480,000,000

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

10 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	4,552	111	–	–	4,663
At 31 December 2024 and 1 January 2025	40,995	41,819	3,487	9,961	96,262
Additions	4,552	136	37	138	4,863
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	(1,676)	(2,968)	(214)	(836)	(5,694)
At 31 December 2024 and 1 January 2025	(21,459)	(24,369)	(3,275)	(8,447)	(57,550)
Charge for the year	(1,744)	(2,849)	(98)	(764)	(5,455)
At 31 December 2025	(23,203)	(27,218)	(3,373)	(9,211)	(63,005)
Net book value					
At 31 December 2025	22,344	14,737	151	888	38,120
At 31 December 2024	19,536	17,450	212	1,514	38,712

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

11 RIGHT-OF-USE ASSETS

	Leasehold land
	<i>RMB'000</i>
Cost:	
At 1 January 2024 and at 1 January and 31 December 2025	3,404
Accumulated depreciation:	
At 1 January 2024	(500)
Charge for the year	(100)
At 31 December 2024 and 1 January 2025	(600)
Charge for the year	(100)
At 31 December 2025	(700)
Net book value:	
At 31 December 2025	2,704
At 31 December 2024	2,804

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment and operation	Registered capital/ issued and fully paid up capital	Equity attributable to the Company		Principal activities
			Direct	Indirect	
Innovative Green Group Holdings Limited	The British Virgin Islands 6 July 2017	50,000 shares of USD1 each/USD 1	100%	–	Investment holding
China Grand New Material Holdings Limited	Hong Kong 4 August 2017	1 share	–	100%	Investment holding
Jiangsu Chuangxin Petrochemical Co., Ltd.* 江蘇創新石化有限公司	The PRC 31 December 2002	USD20,000,000/ USD20,000,000	–	100%	Developing and manufacturing oil refining agents and fuel additives

* The Company is a wholly foreign owned enterprise with limited liability.

The official name of the Company is in Chinese. The English translation of the name is for reference only.

13 INVENTORIES

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

	2025 RMB'000	2024 RMB'000
Raw materials	20,535	16,574
Work in progress	7,869	6,595
Finished goods	4,017	5,158
Consignment goods	1,186	550
	33,607	28,877

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

13 INVENTORIES (continued)

- (b) The analysis of the amount of inventories recognised as expenses and included in profit or loss is as follows:

	2025 RMB'000	2024 RMB'000
Carrying amount of inventories sold	157,755	140,995
Write-down of inventories	(1)	(49)
Cost of inventories directly recognised as research and development expenses	5,188	3,580
	162,942	144,526

14 TRADE AND OTHER RECEIVABLES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

14 TRADE AND OTHER RECEIVABLES (continued)

(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 RMB'000	2024 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
Trade receivables, net of loss allowance	64,555	95,973

Further details on the Group's credit policy are set out in note 19(a).

(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 consolidated financial statements 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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

15 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2025 RMB'000	2024 RMB'000
Cash at banks and on hand	131,634	95,501
Less: Restricted bank deposits (i)	(2,068)	(250)
Bank deposits with original maturity over three months	(15,000)	(10,000)
Cash and cash equivalents	114,566	85,251

(i) As of 31 December 2025, restricted bank deposits amounted to RMB2,068,000 (2024: RMB 250,000) mainly represent security deposits placed at bank for letter of guarantee. The restriction on deposits was released upon the expiration of the letter of guarantee.

(ii) All of the bank deposits with original maturity over three months are due within one year.

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2025 RMB'000	2024 RMB'000
Profit before taxation		19,733	17,466
Adjustments for:			
Depreciation of property, plant and equipment	5(c)	5,455	5,694
Depreciation of right-of-use assets	11	100	100
Finance costs	5(a)	-	5
Interest income	4	(2,288)	(2,832)
Realised gain from wealth management products	4	(61)	-
Foreign exchange differences		(133)	293
Net loss on disposal of property,			
Changes in working capital:			
(Increase)/decrease in inventories		(4,730)	8,222
Decrease/(increase) in trade and other receivables		28,843	(21,719)
Decrease/(increase) in prepayment		5,101	(4,564)
(Decrease)/increase in trade and other payables		(5,432)	12,875
Increase in restricted bank deposit		(1,818)	(250)
Decrease in contract liabilities		-	(2,210)
Cash generated from operations		44,770	13,080

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

16 TRADE AND OTHER PAYABLES

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

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 RMB'000	2024 RMB'000
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	-
Trade payables	18,842	20,744

17 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	2025 RMB'000	2024 RMB'000
Balance at 1 January	3,545	4,327
Provision for current income tax for the year (note 6(a))	2,455	2,265
Under-provision in prior years (note 6(a))	196	91
Payment made during the year	(2,666)	(3,138)
Balance at 31 December	3,530	3,545

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

17 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(continued)

(b) Deferred tax assets and deferred tax liabilities recognised:

(i) The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the year are as follows:

Deferred tax arising from:	Credit loss allowance	Inventory provision	Accrued expenses and other payables	Lump-sum pre-tax deduction of property, plant and equipment	Withholding tax on dividends available for distribution	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2024	233	49	474	(1,680)	(1,713)	(2,637)
Charged to profit or loss (note 6(a))	151	(8)	(136)	248	(1,383)	(1,128)
Balance at 31 December 2024 and 1 January 2025	384	41	338	(1,432)	(3,096)	(3,765)
Charged to profit or loss (note 6(a))	(156)	-	81	248	(1,561)	(1,388)
Balance at 31 December 2025	228	41	419	(1,184)	(4,657)	(5,153)

(ii) Reconciliation to the consolidated statements of financial position:

	2025 RMB'000	2024 RMB'000
Net deferred tax assets recognised in the consolidated statements of financial position	-	-
Net deferred tax liabilities recognised in the consolidated statements of financial position	(5,153)	(3,765)
	(5,153)	(3,765)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

18 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 1 January 2024	3,873	83,937	12,508	7,020	107,338
Profit for the year	-	-	-	66	66
Other comprehensive income	-	-	2,166	-	2,166
Total comprehensive income	-	-	2,166	66	2,232
Dividends approved in respect of the previous year	-	(8,711)	-	-	(8,711)
Balance at 31 December 2024 and 1 January 2025	3,873	75,226	14,674	7,086	100,859
Profit for the year	-	-	-	5	5
Other comprehensive income	-	-	(2,392)	-	(2,392)
Total comprehensive income	-	-	(2,392)	5	(2,387)
Dividends approved in respect of the previous year	-	(4,428)	-	-	(4,428)
Balance at 31 December 2025	3,873	70,798	12,282	7,091	94,044

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

18 CAPITAL AND RESERVES (continued)

(b) Dividends

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

	2025 RMB'000	2024 RMB'000
Interim dividend declared and paid of HK\$ nil per ordinary share (2024: HK\$ 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
	–	4,428

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

	2025 RMB'000	2024 RMB'000
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)	4,428	8,711

(c) Share capital

Authorised and issued share capital

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

18 CAPITAL AND RESERVES (continued)

(d) 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.

(e) Capital reserve

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

(f) PRC statutory reserves

Statutory general reserve

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

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

(g) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Chinese mainland. The reserve is dealt with in accordance with the according policy set out in note 1(s).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18 CAPITAL AND RESERVES *(continued)*

(h) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group had no bank loans as at 31 December 2025 and 31 December 2024. The Group had bank deposits and cash balance as at 31 December 2025 amounting to RMB131,634,000 (31 December 2024: RMB95,501,000).

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-equity ratio. This ratio is calculated as net debt divided by equity. The Group defines net debt as loans and borrowings plus unaccrued proposed dividends, less cash and cash equivalents. Total equity comprises all components of equity, less unaccrued proposed dividends.

There was no net debt for the Group as at 31 December 2025 and 2024.

Neither the Company nor its subsidiaries are subject to internally or externally imposed capital requirements.

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19 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

Financial assets of the Group include cash and cash equivalents and trade and other receivables. Financial liabilities of the Group include trade and other payables and other financial liabilities.

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- foreign currency risk

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Group's risk management framework, and developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The risks are mitigated by various measures as disclosed below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and bank deposits, bills receivable is limited because the counterparties are banks and financial institutions with high credit ratings, which the Group considers to represent low credit risk.

Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30-120 days from the date of billing. Normally, the Group does not obtain collateral from customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(a) Credit risk (continued)

Trade receivables (continued)

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2025, 44.39% (2024: 32.55%) of the total trade receivables were due from the Group's largest group customer and 79.29% (2024: 81.39%) of the total trade receivables were due from the Group's five largest group customers respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customers, the loss allowance based on past due status is not further distinguished between the Group's different customers.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2025		
	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Current	0.25%	60,985	153
1-180 days past due	2.28%	3,458	79
181-365 days past due	32.91%	512	168
More than 1 year past due	100.00%	-	-
		64,955	400
Credit – impaired assessed individually	100.00%	1,117	1,117
		66,072	1,517

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

19 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(a) Credit risk (continued)

Trade receivables (continued)

	2024		
	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Current	0.08%	93,847	77
1-180 days past due	0.31%	1,456	5
181-365 days past due	2.69%	605	16
1-2 years past due	9.77%	181	18
More than 2 years past due	100.00%	–	–
		96,089	116
Credit – impaired assessed individually	100.00%	2,447	2,447
		98,536	2,563

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2025 RMB'000	2024 RMB'000
Balance at 1 January	2,563	1,504
Impairment losses(reversed)/recognised during the year	(1,046)	1,059
Balance at 31 December	1,517	2,563

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(Expressed in Renminbi Yuan unless otherwise indicated)

19 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient cash to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following table shows the remaining contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay.

	As at 31 December 2025			
	Contractual undiscounted cash outflow			Carrying amount
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	
RMB'000	RMB'000	RMB'000	RMB'000	
Trade and other payables	31,911	–	31,911	31,911

	As at 31 December 2024			
	Contractual undiscounted cash outflow			Carrying amount
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	
RMB'000	RMB'000	RMB'000	RMB'000	
Trade and other payables	37,356	–	37,356	37,356

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19 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(c) Foreign currency risk

The Group is exposed to currency risk primarily through sales which give rise to receivables and bank balances that are denominated in foreign currencies, that are, currencies other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk is primarily United States Dollars (“USD”), Euros (“EUR”) and Hong Kong Dollars (“HKD”).

The following table details the Group’s exposure at the end of each reporting period to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the end of each reporting period. Differences resulting from the translation of the financial statements of foreign operations into the Group’s presentation currency are excluded.

	Exposure to USD (expressed in RMB)	
	2025 RMB'000	2024 RMB'000
Cash and cash equivalents	38,335	45,628
Trade and other receivables	1,117	1,142
	39,452	46,770

	Exposure to EUR (expressed in RMB)	
	2025 RMB'000	2024 RMB'000
Cash and cash equivalents	-	112

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

19 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(c) Foreign currency risk (continued)

	Exposure to HKD (expressed in RMB)	
	2025 RMB'000	2024 RMB'000
Cash and cash equivalents	683	878

The following table indicates the change in the Group's profit after taxation and retained earnings that would arise if foreign exchange rates to which the Group's financial assets have significant exposure at the end of each reporting period had changed at that date, assuming all other risk variables remained constant:

	2025		2024	
	Increase/ decrease in foreign exchange rates RMB'000	Increase/ (decrease) in profit after taxation and retained earnings RMB'000	Increase/ decrease in foreign exchange rates RMB'000	Increase/ (decrease) in profit after taxation and retained earnings RMB'000
USD	5%	1,677	5%	1,988
	-5%	(1,677)	-5%	(1,988)
EUR	5%	-	5%	5
	-5%	-	-5%	(5)
HKD	5%	29	5%	37
	-5%	(29)	-5%	(37)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translating into RMB at the exchange rate ruling at the end of each reporting period for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of each reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

19 FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(continued)*

(d) Fair value measurement

(i) *Financial assets and liabilities carried at fair value*

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

For the investment in wealth management product issued by banks which were categorised into Level 2 of fair value hierarchy, the Group performed valuations and analyse changes in fair value measurement at each interim and annual reporting date.

During the years ended 31 December 2024 and 2025, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) *Fair values of financial assets and liabilities carried at other than fair value*

The carrying amounts of the Group's financial instruments carried amortised cost are not materially different from their fair values as at 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

20 MATERIAL RELATED PARTY TRANSACTIONS

As at 31 December 2025, the Group had no balances with related parties (31 December 2024: Nil). During the year ended 31 December 2025, the Group did not have material related party transactions (2024: Nil).

(a) Directors and key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2025 RMB'000	2024 RMB'000
Short-term employee benefits	2,408	2,385
Post-employee benefits	36	36
	2,444	2,421

Total remuneration is included in "staff costs" (see note 5(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

21 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2025 RMB'000	As at 31 December 2024 RMB'000
Non-current assets			
Investment in a subsidiary	(note i)	(*)	(*)
Amounts due from subsidiaries		57,129	58,571
		57,129	58,571
Current assets			
Other receivables		147	150
Cash and cash equivalents		38,074	43,477
		38,221	43,627
Current liabilities			
Other payables		1,306	1,339
Amount due to a subsidiary		(*)	(*)
		1,306	1,339
Net current assets		36,915	42,288
Total assets less current liabilities		94,044	100,859
NET ASSETS		94,044	100,859
CAPITAL AND RESERVES			
Share capital		3,873	3,873
Reserves		90,171	96,986
TOTAL EQUITY		94,044	100,859

(i) The investment cost represented 1 ordinary share of US\$1 in Innovative Green Group Holdings Limited subscribed by the Company.

* The balances represented amount less than RMB1,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

22 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2025, the directors consider the immediate parent and ultimate holding company of the Group to be Innovative Green Holdings Limited, which is incorporated in the British Virgin Islands and beneficially owned by Mr. Ge Xiaojun and Ms. Gu Jufang, and it does not produce financial statements available for public use.

23 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures – Contracts referencing nature-dependent electricity	1 January 2026
Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, Presentation and disclosure in financial statements	1 January 2027
HKFRS 19, Subsidiaries without public accountability: disclosures	1 January 2027

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

23 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025 *(continued)*

HKFRS 18, *Presentation and disclosure in the financial statements*

HKFRS 18 will replace HKAS 1, Presentation of financial statements and aims to improve the transparency and comparability of information about an entity's financial statements. HKFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under HKFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt HKFRS 18 and is still in the process of assessing the impact of the adoption.

FINANCIAL SUMMARY

The following is a summary of the results, assets and liabilities of the Group for each of the years ended 31 December 2021, 2022, 2023, 2024 and 2025.

	Year ended 31 December				
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000
RESULTS					
Profit from operations	12,918	26,205	25,205	17,471	19,733
Profit before tax	12,901	26,205	25,192	17,466	19,733
Income tax expense	(1,243)	(14,747)	(4,071)	(3,484)	(4,039)
Net profit and total comprehensive income for the year	11,658	11,458	21,121	13,982	15,694
ASSETS AND LIABILITIES					
Total assets	315,344	347,479	259,396	276,623	282,850
Current liabilities	23,677	33,632	31,006	40,901	35,441
Total equity	289,492	300,479	225,753	231,957	242,256

DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be held at No. 16 West Kaixuan Road, Economic Development Zone, Yixing, Jiangsu Province, the PRC at 3:00 p.m. on Friday, 22 May 2026
“Articles” or “Articles of Association”	the amended and restated articles of association of the Company as amended from time to time
“Audit Committee”	the audit committee of the Company
“Board” or “Board of Directors”	the board of Directors
“CG Code”	Corporate Governance Code contained in Appendix C1 to the Listing Rules
“China”, “Mainland China” or “PRC”	the People’s Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to “China” and “PRC” do not apply to Taiwan, Macao Special Administrative Region and Hong Kong
“Company”	Jiangsu Innovative Ecological New Materials Limited* (江蘇創新環保新材料有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 6 July 2017, the Shares of which are listed on the Main board (stock code: 2116)
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, refers to Ms. Gu and Innovative Green Holdings
“Director(s)”	the director(s) of the Company
“Euro”	Euro, the lawful currency of the member states of European Union
“Group”, “we,” “us,” or “our”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Innovative Green Holdings”	Innovative Green Holdings Limited, incorporated in British Virgin Islands, which is 100% owned by Ms. Gu, and is directly interested in approximately 75% of the issued Shares
“Listing”	the listing of the Shares on the Main Board
“Listing Date”	28 March 2018, being the date on which dealing in the Shares first commenced on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	Main Board of the Hong Kong Stock Exchange
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
“Mr. Ge”	Mr. Ge Xiaojun (葛曉軍), the Chairman, an executive Director, the chief executive officer of the Company and Ms. Gu’s spouse
“Ms. Gu”	Ms. Gu Jufang (顧菊芳), an executive Director and one of our Controlling Shareholders and Mr. Ge’s spouse
“Nomination Committee”	the nomination committee of the Company
“Prospectus”	the prospectus of the Company dated 19 March 2018 in connection with the Hong Kong Public Offering (as defined therein)
“R&D”	Research and development
“Remuneration Committee”	the remuneration committee of the Company
“Reporting Period”	the year ended 31 December 2025
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“treasury shares”	has the meaning ascribed thereto under the Listing Rules
“US\$” or “USD”	US dollars, the lawful currency of the United States of America
“Yixing”	Yixing City (宜興市), a county under the jurisdiction of Wuxi City, Jiangsu Province, PRC
“Yixing Plant”	our production facilities located in Yixing
“%”	per cent.