

[REDACTED] INVESTMENTS

OVERVIEW

For the purpose of the [REDACTED] and as part of the Reorganisation, we have received equity investments from three [REDACTED] Investors, namely GX Land & Sea, Guidong Electric and Mr. SU (through Ertian International and Seven Color Pearl Investment). Mr. SU and Guidong Electric are existing equity holders of Chesir Pearl, and they have made additional equity investments to Chesir Pearl by way of subscription for new shares of Chesir Pearl and exercise of the conversion right attached with the 2019 Convertible Bonds, respectively. GX Land & Sea is a new investor with its equity investment made through Generous Fortune for the purpose of facilitating the conversion of Chesir Pearl into a sino-foreign equity joint venture for the purpose of the [REDACTED]. Their equity investments constitute our [REDACTED] investments as defined in the Guidance Letters HKEx-GL29-12 (updated in March 2017), HKEx-GL-43-12 (updated in July 2013 and March 2017) and HKEx-GL44-12 (updated in March 2017) issued by the Stock Exchange. The following sets forth the background information on the [REDACTED] Investors.

GX Land & Sea

On 19 October 2020, the GX [REDACTED] Investment Agreement was entered into, pursuant to which GX Land & Sea has agreed to invest in Generous Fortune by way of subscription for 12,787,724 shares for cash consideration of RMB125,319,695. The amount of investment is based on RMB9.8 for each share of Chesir Pearl. This subscription price is higher than the conversion price of the 2019 Convertible Bonds of RMB9.03 for each share of Chesir Pearl, but lower than the subscription price for the additional equity investment made by Mr. SU (through Ertian International and Seven Color Pearl Investment) of RMB10.22 for each share of Chesir Pearl. A summary of the terms of the GX [REDACTED] Investment Agreement is set forth in the paragraphs under “Principal terms of the [REDACTED] Investments” below. The 12,787,724 shares of Generous Fortune held by GX Land & Sea have been transferred to our Company for 12,787,724 Shares pursuant to the Cayman Share Swap. Following completion of the [REDACTED] and without taking into consideration any Share that may be issued pursuant to the exercise of the [REDACTED] and any option that may be granted under the [REDACTED] Share Option Scheme, GX Land & Sea is interested in [REDACTED] Shares, representing [REDACTED]% of our Shares in issue.

Guidong Electric

Guidong Electric was one of the equity holders of Chesir Pearl. On 16 October 2020, Guidong Electric entered into the Convertible Bonds Transfer Agreement, pursuant to which Guidong Electric had become the sole holder of the 2019 Convertible Bonds on 19 October 2020. On 19 October 2020, Chesir Pearl and Guidong Electric entered into the Convertible Bond Conversion Agreement for the purpose of converting the 2019 Convertible Bonds into 8,000,000 shares of Chesir Pearl. These shares were issued to Guidong Electric on the same date. These shares, together with the then 10,000,000 shares of Chesir Pearl held by Guidong Electric, have been transferred to our Company for 18,000,000 Shares pursuant to the Guidong Share Swap. Following completion of the [REDACTED] and without taking into consideration any Share that may be issued pursuant to the exercise of the [REDACTED] and any option that may be granted under the [REDACTED] Share Option Scheme, Guidong Electric is interested in an aggregate of [REDACTED] Shares, representing [REDACTED]% of our Shares in issue.

[REDACTED] INVESTMENTS

Mr. SU

Mr. SU is an executive Director and one of our Controlling Shareholders. See the section headed “Directors, Senior Management and Employees” in this document for further information on Mr. SU. For the purpose of providing additional funding to Chesir Pearl and as agreed in the GX [REDACTED] Investment Agreement, the SU Subscription Agreement was entered into on 19 October 2020, pursuant to which Mr. SU subscribed for 12,000,000 shares of Chesir Pearl for cash consideration of RMB122,640,000, representing RMB10.22 for each share of Chesir Pearl. On 19 October 2020, Chesir Pearl allotted and issued to Mr. SU 12,000,000 shares and on 22 October 2020, Mr. SU fully settled the amount of consideration.

Pursuant to Chesir Pearl Equity Acquisition Agreement, Ertian International and Seven Color Pearl Investment have been allotted and issued 7,493,138 shares and 4,506,862 shares of Generous Fortune, respectively, at the direction of Mr. SU. On 18 November 2020, Continuous Profit transferred 3,900,000 Shares to Ertian International for the consideration of the sum of HK\$10 as part of the Reorganisation. On 18 November 2020, pursuant to the Cayman Share Swap, our Company has allotted and issued 3,593,138 Shares to Ertian International and 4,506,862 Shares to Seven Color Pearl Investment. As a result, each of Ertian International and Seven Color Pearl Investment holds 7,493,138 Shares and 4,506,862 Shares, and in aggregate 12,000,000 Shares, prior to completion of the [REDACTED]. Both Ertian International and Seven Color Pearl Investment are wholly-owned by Mr. SU.

Following completion of the [REDACTED] and without taking into consideration any Share that may be issued pursuant to the exercise of the [REDACTED] and any option that may be granted under the [REDACTED] Share Option Scheme, Ertian International is interested in [REDACTED] Shares, representing [REDACTED]% of our Shares in issue and Seven Color Pearl Investment is interested in [REDACTED] Shares, representing [REDACTED]% of our Shares in issue.

Equity holders of Chesir Pearl deemed to be our [REDACTED] Investors

Because of the share purchase undertakings given by Hongzun Investment and Mr. SU at the time of the NEEQ Listing Withdrawal, there were 69 completed transactions involving the transfer of an aggregate 27,493,141 shares of Chesir Pearl to new purchasers or the then equity holders of Chesir Pearl following the NEEQ Listing Withdrawal. See the section headed “History, Development and Reorganisation — Corporate history of our subsidiaries in the PRC — Chesir Pearl — Transfers of shares of Chesir Pearl following the NEEQ Listing Withdrawal” in this document for a complete list of these transactions and the names of the transferees in these transactions. These transferees (other than Mr. SU and WEI Seguang (韦色广)), who have exchanged their shares of Chesir Pearl into the shares of Generous Fortune pursuant to the Chesir Pearl Equity Acquisition Agreement and ultimately our Shares by way of the Cayman Share Swap, have become part of the Consent Chesir Pearl Equity Holders and ultimately, our Shareholders through the Reorganisation. See the section “History,

[REDACTED] INVESTMENTS

Development and Reorganisation — Reorganisation” in this document for further information. These transferees (other than Mr. SU and WEI Seguang (韦色广)) are deemed to be our [REDACTED] Investors as they acquire the issued share of Chesir Pearl in contemplation of the [REDACTED]. The directors of Chesir Pearl confirm the following:

- (a) the terms of these share transfers (including the selling prices and the number of shares of Chesir Pearl involved) were negotiated between the transferors and the transferees and that Chesir Pearl only facilitated the transfers by updating the register of members of Chesir Pearl;
- (b) the subject matter of the transfers was the shares of Chesir Pearl which were ranking pari passu with all other shares of Chesir Pearl with no special rights attached therewith;
- (c) no special treatment had been given by Chesir Pearl to the transferors and/or the transferees in relation to the share transfer transactions;
- (d) no consideration was received by Chesir Pearl or any of its subsidiaries from the share transfer transactions;
- (e) except Mr. SU, Mr. JIN and Mr. HU Yongxiang, all transferors and transferees involved are Independent Third Parties; and
- (f) each of the share transfer transactions has been duly completed on a day which is more than 28 clear days before the date of the first submission of the application for the [REDACTED].

PRINCIPAL TERMS OF THE [REDACTED] INVESTMENTS MADE BY GUIDONG ELECTRIC, GX LAND & SEA AND MR. SU (THROUGH ERTIAN INTERNATIONAL AND SEVEN COLOR PEARL INVESTMENT)

The table below summarises the principal terms of the [REDACTED] Investments:

	Guidong Electric	GX Land & Sea	Mr. SU
Date	19 October 2020 (being the date Convertible Bonds Conversion Agreement)	19 October 2020 (being the date of the GX [REDACTED] Investment Agreement)	19 October 2020 (being the date of the SU Subscription Agreement)
Number of shares of Chesir Pearl converted or subscribed	8,000,000	12,787,724	12,000,000
Number of Shares held in relation to the [REDACTED] Investments upon completion of the Reorganisation and the [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED] (by Ertian International) [REDACTED] (by Seven Color Pearl Investment)

[REDACTED] INVESTMENTS

	Guidong Electric	GX Land & Sea	Mr. SU
Completion date of the share allotment	18 November 2020	18 November 2020	18 November 2020
Investment amount	RMB72,240,000	RMB125,319,695	RMB122,640,000
Basis of determining the investment amount	RMB9.03 for each share of Chesir Pearl, which was determined with reference to the market capitalisation of Chesir Pearl at the relevant time of the Convertible Bonds were issued.	RMB9.80 for each share of Chesir Pearl, which was determined after arm’s length negotiations between Chesir Pearl and GX Land & Sea taking into consideration the exercise price of the 2019 Convertible Bonds.	RMB10.22 for each share of Chesir Pearl, which was determined after arm’s length negotiations between Chesir Pearl, GX Land & Sea and Mr. SU taking into consideration the investment cost for each share of Chesir Pearl paid by GX Land & Sea under the GX [REDACTED] Investment Agreement.
Implied valuation in Chesir Pearl	RMB1,350.5 million	RMB1,465.7 million	RMB1,528.5 million
Settlement date of the investment amount	19 October 2020	17 November 2020	22 October 2020
Investment cost per Share .	RMB1.51	RMB1.63	RMB1.70
Discount to the mid-point of the indicative range of the [REDACTED] . . .	[REDACTED]%	[REDACTED]%	[REDACTED]%
Use of the net proceeds from the [REDACTED] Investments	The original amount of the net proceeds from the 2019 Convertible Bonds was RMB72,240,000 which was used for the construction of the Phase 2 Production Plant and as general operating capital, which had been fully utilised as of the Latest Practicable Date.	The amount of investment has been provided to Generous Fortune which has been injected into Global New Material (HK) for subscribing 12,787,724 new shares of Chesir Pearl as part of the Reorganisation. The amount is to be used as our general working capital.	The amount of investment has provided additional funding to be used as our general working capital.
Interest rate	8% per annum (which was applicable only to the 2019 Convertible Bonds), and an aggregate of RMB8.0 million has been paid by Chesir Pearl to the Bondholders	Not applicable	Not applicable
Maturity date	30 May 2021	Not applicable	Not applicable

[REDACTED] INVESTMENTS

	Guidong Electric	GX Land & Sea	Mr. SU
Lock-up undertaking	Pursuant to the Guidong Lock-Up Deed, Guidong Electric has undertaken by way of deed not to transfer, dispose of, nor enter into any agreement to transfer, dispose of or otherwise create any options, rights, interests or encumbrances in respect of the Shares held by it upon the [REDACTED] during the First Six-Month Period.	Pursuant to the GX [REDACTED] Investment Agreement and the GX Lock-up Deed, GX Land & Sea has undertaken by way of deed not to transfer, dispose of, nor enter into any agreement to transfer, dispose of or otherwise create any options, rights, interests or encumbrances in respect of the Shares held by it upon the [REDACTED] during the First Six-Month Period.	Mr. SU is one of our Controlling Shareholders. See the sections headed “Controlling Shareholders and Substantial Shareholders” and “[REDACTED]” in this document for the lock-up arrangement during the First Six-Month Period and the Second Six-Month Period.
Strategic benefits the [REDACTED] Investors will bring to us.	Guidong Electric is one of the largest shareholders of Chesir Pearl and has become our Shareholder following completion of the Reorganisation. The transfer and conversion of the 2019 Convertible Bonds by Guidong Electric will assist us in reducing our on-going interest payment for the 2019 Convertible Bonds.	Provide funding to facilitate the conversion of Chesir Pearl into a sino-foreign equity joint venture for the purpose of the [REDACTED]. GX Land & Sea is also an established investment fund which will assist us in implementing various corporate governance measures following completion of its investment.	Provide additional funding to Chesir Pearl for implementation of its expansion plans.
Special rights	The Shares rank pari passu with other Shares in issue or to be issued by our Company. No special rights have been granted to Guidong Electric.	The Shares rank pari passu with other Shares in issue or to be issued by our Company. Certain special rights have been granted to GX Land & Sea, which will be terminated upon the [REDACTED]. See the paragraphs under “Additional terms of the GX [REDACTED] Investment Agreement” below for the special rights granted to GX Land & Sea.	The Shares rank pari passu with other Shares in issue or to be issued by our Company. No special rights have been granted to Mr. SU (including Ertian International and Seven Color Pearl Investment).

[REDACTED]

[REDACTED] INVESTMENTS

ADDITIONAL TERMS OF THE GX [REDACTED] INVESTMENT AGREEMENT

Representations and warranties

The following sets forth the representations and warranties given by Chesir Pearl for the benefit of GX Land & Sea under the GX [REDACTED] Investment Agreement

- (a) Chesir Pearl is a legally established and validly existing legal entity which has the corporate power to enter into the GX [REDACTED] Investment Agreement and perform the obligations under the GX [REDACTED] Investment Agreement;
- (b) Chesir Pearl has the full right, power and authority to enter into the GX [REDACTED] Investment Agreement and to perform the obligations thereunder;
- (c) The performance of the obligations under the GX [REDACTED] Investment Agreement by Chesir Pearl have not violated relevant laws, regulations and its constitutional documents or breached any agreements entered into by Chesir Pearl with other third parties;
- (d) There are no lawsuits or administrative, arbitration or other proceedings or contingent liabilities pending or threatened against or relating to Chesir Pearl that could hinder the [REDACTED]; and
- (e) Chesir Pearl will strictly implement the Reorganisation as agreed with GX Land & Sea.

Special rights granted to GX Land & Sea under the GX [REDACTED] Investment Agreement shall be automatically terminated upon the [REDACTED]

GX Land & Sea has been granted by Chesir Pearl under the GX [REDACTED] Investment Agreement the following special rights:

- (a) the information right to require Chesir Pearl to provide (i) the annual audited accounts under the applicable accounting standards in the PRC within 120 days from the relevant year end, (ii) the monthly management accounts under the applicable accounting standards in the PRC within 30 days from the relevant month end and (iii) the annual budget not less than 30 days before the date of commencement of the relevant financial year. Such information right will be terminated upon the [REDACTED].
- (b) the right to appoint a non-executive Director and such non-executive Director appointed shall resign from our Board on the earlier of the date on which (i) the equity investment made by GX Land & Sea is required to be purchased by Mr. SU and (ii) the results of the hearing of the [REDACTED] application by the [REDACTED]. Hence, such right of appointment of Director will be terminated upon the [REDACTED].
- (c) the right to request Mr. SU to purchase all of the Shares held by it (the “**Repurchase Right**”) in the event that:
 - (i) our Company cannot be [REDACTED] on the Stock Exchange on or before 31 December 2021;

[REDACTED] INVESTMENTS

- (ii) Mr. SU or Chesir Pearl has informed GX Land & Sea that the preparation for the [REDACTED] would be suspended on or before 31 December 2021 or the application for the [REDACTED] has been rejected by the [REDACTED];
- (iii) Chesir Pearl is in corporate dissolution proceedings or applying for liquidation under the applicable PRC laws and regulations;
- (iv) Chesir Pearl is required to cease or suspend its business operations by the relevant government authorities in the PRC;
- (v) Chesir Pearl has breached any the representations and warranties in the GX [REDACTED] Investment Agreement; and
- (vi) the Reorganisation cannot be completed.

The purchase price under the Repurchase Right has been agreed as the amount of investment plus 8.0 per cent. and the cash dividends that may be entitled by GX Land & Sea. If this purchase price is less than the net asset value of our Company, the purchase price shall be adjusted upward. The amount of net asset value is based on the latest audited financial statements of our Company. Any overdue amount under the GX [REDACTED] Investment Agreement will be subject to a daily interest rate of 0.05% from the expiry date of the first six-month period immediately after the triggering event of share purchase.

In compliance with Guidance Letter HKEX-GL43-12 issued by the Stock Exchange, all special rights granted to GX Land & Sea will be automatically terminated upon the [REDACTED].

As of the Latest Practicable Date, GX Land & Sea had not exercised the Repurchase Right.

Consistent with the Guidance Letter HKEX-GL43-12

Our Directors have considered the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017 and confirm that the Repurchase Right could only be exercisable when there is no [REDACTED] or at the time when our Company is unable to comply with the [REDACTED] requirements on the Stock Exchange given that Chesir Pearl is the principal operating entity of our Group. The Reorganisation has also been completed since November 2020 and it would not entitle GX Land & Sea to exercise the Repurchase Right because of non-completion. All special rights including the Repurchase Right granted to GX Land & Sea will also be terminated upon the [REDACTED]. Our Directors are therefore of the view that the Repurchase Right and the other special rights granted to GX Land & Sea are not inconsistent with paragraph 3.6(c) of the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017.

[REDACTED] INVESTMENTS

BACKGROUND INFORMATION OF GX LAND & SEA, GUIDONG ELECTRIC AND MR. SU

GX Land & Sea

GX Land & Sea is an investment holding company incorporated in the BVI with limited liability on 20 March 2020 and is wholly-owned by Guangxi Land & Sea Connectivity Fund (Limited Partnership) (“**Guangxi Land & Sea**”). Pursuant to the terms of the GX [REDACTED] Investment Agreement, GX Land & Sea has the right to designate, and has designated, a non-executive director and an alternate director to such non-executive director (the “**GX Directors**”) to our board of directors in October 2020. Such right will cease upon the [REDACTED] and the GX Directors have resigned in May 2021 pursuant to the terms of the GX [REDACTED] Investment Agreement.

Guangxi Land & Sea is a limited partnership established in the PRC on 26 November 2018. Guangxi Land & Sea is an investment and venture capital fund for the primary purpose of making investment in the PRC and Southeast Asian countries with current portfolio size of more than RMB2.0 billion, the general partner of which is Guangxi Luhai Xintongdao Equity Investment Management Center (Limited Partnership) (廣西陸海新通道股權投資管理中心(有限合伙)). Our Group became acquainted with Guangxi Land & Sea in January 2019, through introduction by The People’s Government of Guangxi Zhuang Autonomous Region. Having considered the market trend and business opportunities in the pearlescent pigment industry, our business performance, products portfolio, management, market position and prospects, Guangxi Land & Sea decided to invest in our Group through GX Land & Sea pursuant to the GX [REDACTED] Investment Agreement. GX Land & Sea’s investment has allowed us to increase our general working capital. To the best of the knowledge, information and belief of our Directors and after making reasonable enquiries, the ultimate beneficial owner of Guangxi Land & Sea is the PRC Government and GX Land & Sea is the foreign investment holding vehicle of Guangxi Land & Sea which has no business activity to date.

Guidong Electric

Guidong Electric is a company established under the laws of the PRC on 4 December 1998 with limited liability by shares. The shares of Guidong Electric have been listed on the Shanghai Stock Exchange since 28 February 2001 (stock code: 600310). As of the Latest Practicable Date, Guidong Electric had a market capitalisation of RMB4,788.3 million. To the best of our Directors’ knowledge, information and belief having made all reasonable enquiries, the major shareholder of Guidong Electric is Guangxi ZR Development Group Co., Ltd. (廣西正潤發展集團有限公司, “**Guangxi ZR**”) which held 39.96% shareholding in Guidong Electric. Guangxi ZR is owned by Guangxi Investment Group Co., Ltd. (廣西投資集團有限公司) as to 85.0% which is wholly-owned by the PRC Government.

The headquarters of Guidong Electric are located in Hezhou City, Guangxi Zhuang Autonomous Region of the PRC and is principally engaged in power generation, power supply, power investment and development, transportation construction and infrastructure development. The chairman of the board of directors of Guidong Electric is Mr. QIN, who is also an executive Director.

[REDACTED] INVESTMENTS

Mr. SU

Mr. SU is one of our executive Directors and Controlling Shareholders. See the section headed “Directors, Senior Management and Employees” in this document for further information of Mr. SU. Ertian International and Seven Color Pearl Investment are investment holding companies wholly-owned by Mr. Su and they are carrying on no business activities.

Save as disclosed above, to the best of our Directors’ knowledge, information and belief having made all reasonable enquiries, none of the [REDACTED] Investors have any past or present relationship or any agreements, arrangements or understanding with our Company, our subsidiaries, other Shareholders, Directors or senior management and any of their respective close associates and was an Independent Third Party as of the Latest Practicable Date.

CONFIRMATION FROM THE SOLE SPONSOR

Since the investment amount by each of the [REDACTED] Investors was fully settled on a date which is more than 28 clear days before the date of submission of the initial [REDACTED] application, the Sole Sponsor is of the view that such investments are made in compliance with the Guidance Letters HKEx-GL29-12 (updated in March 2017), HKEx-GL43-12 (updated in July 2013 and March 2017) and HKEx-GL44-12 (updated in March 2017) of the Stock Exchange.