CHESIR

GLOBAL NEW MATERIAL INTERNATIONAL HOLDINGS LIMITED

环球新材国际控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 06616

Annual Report

2021

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. SU Ertian *(Chairman and Chief Executive Officer)*
Mr. ZHENG Shizhan
Mr. JIN Zengqin
Mr. ZHOU Fangchao *(Joint company secretary)*

Non-executive Directors

Mr. QIN Min
Mr. HU Yongxiang

Independent non-executive Directors

Mr. MAK Hing Keung, Thomas
Professor HAN Gaorong
Mr. LEUNG Kwai Wah Alex

AUDIT COMMITTEE

Mr. MAK Hing Keung, Thomas *(Chairman)*
Professor HAN Gaorong
Mr. LEUNG Kwai Wah Alex

REMUNERATION COMMITTEE

Mr. LEUNG Kwai Wah Alex *(Chairman)*
Professor HAN Gaorong
Mr. ZHOU Fangchao

NOMINATION COMMITTEE

Mr. SU Ertian *(Chairman)*
Professor HAN Gaorong
Mr. MAK Hing Keung, Thomas

JOINT COMPANY SECRETARIES

Mr. ZHOU Fangchao
Mr. NG Cheuk Ming

HONG KONG LEGAL ADVISER

Squire Patton Boggs

AUDITOR

RSM Hong Kong
Certified Public Accountants
(Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance)

COMPLIANCE ADVISER

Essence Corporate Finance (Hong Kong) Limited

PRINCIPAL BANKERS

In Hong Kong:
Citibank (Hong Kong) Limited

In the PRC:
Bank of Liuzhou Co., Ltd.
Liuzhou Urban Rural Credit Cooperative Union

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Pearlescent Industrial Park
No. 380, Feilu Road
Luzhai Town, Luzhai County
Liuzhou City
Guangxi Zhuang Autonomous Region
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A, 10th Floor, Neich Tower
128 Gloucester Toad, Wanchai
Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

COMPANY'S WEBSITE

www.chesir.net

STOCK CODE

06616

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Global New Material International Holdings Limited (the "**Company**" which together with its subsidiaries, the "**Group**"), I am very pleased to present the results of the Group for the year ended 31 December 2021 (the "**FY2021**"). The results of the Group for the FY2021 are presented alongside the results of the Group for the year ended 31 December 2020 (the "**FY2020**") for comparison purpose.

The FY2021 is important to the business development of the Group. The Group has completed the restructuring for the listing (the "**Listing**") of the shares (the "**Shares**") of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), and the Company has become the ultimate holding company of the Group. The Listing has commenced from 16 July 2021 (the "**Listing Date**"). The Listing allows the Group to access to the international capital markets for future business expansion and corporate developments. See further information set forth in the paragraphs under "Use of the Net Proceeds from the Global Offering" in this annual report for updated information on the amount raised by the Group from the global offering (the "**Global Offering**") made by the Company as part of the Listing.

China will continue to be the principal place of business of the Group at which most of production facilities are located and most of the customers of the Group are situated. Under the leadership of the Board and senior management, the business of the Group will follow the national development initiatives and strategies in spite of the outbreak of coronavirus disease 2019 and uncertainties surrounding the international developments and the conflicts between a number of countries. The Board has formulated four core business values (Integrity, Innovation, Leadership and Harmony) for the business development of the Group following the Listing. These business values will be adopted throughout the management of the Group so as to facilitate the continuous and sustainable business developments of the Group.

During the FY2021, the technological advancement and innovation have also driven the steady growth of the business development of the Group. The enhancement of the product mix of the pearlescent pigment products offered by the Group, alongside the construction of new production facilities, continue to facilitate the business growth of the Group by increasing its market share and improving the quality standard. As such, the Group continues to be the largest manufacturer of pearlescent pigment products in the PRC market as measured by revenue in 2021 with a market share of 11.0%. In the global market, in 2021, the Group is ranked first in the synthetic mica-based pearlescent pigment market and fourth in the pearlescent pigment market by revenue. Following the Listing, the Group will continue to enhance its competitiveness and expand its production capacity and market share for the purpose of becoming a global supplier of pearlescent pigment products.

CHAIRMAN'S STATEMENT

The following sets forth further information on the business and financial position of the Group for the FY2021 as well as the Directors' report on certain aspects of the Group. The business development of the Group in the FY2021 is extraordinary, and I would like to express my gratitude to my fellow Directors, senior management and all staff of the Group for their contributions to the business development of the Group. I would also like to thank for the supports from the shareholders (the "**Shareholders**") and investors, without which the Group could not successfully complete the Listing and the Global Offering. The Board as a whole will continue to lead and drive the business of the Group to become one of the world's leading pearlescent pigment suppliers.

SU Ertian
Chairman and Chief Executive Officer

30 March 2022

BUSINESS REVIEW

OVERVIEW

The Group is the largest pearlescent pigment producer in the PRC market as measured by revenue in 2021 with a market share of 11.0%, according to a study conducted by Frost & Sullivan and commissioned by the Group. In the global market, in 2021, the Group is ranked first in the synthetic mica-based pearlescent pigment market and fourth in the pearlescent pigment market by revenue. During the FY2021, the Group's pearlescent pigment products were sold to customers in the PRC and more than 30 other countries and territories in Asia, Europe, Africa and South America.

The global pearlescent pigment product market experienced a significant growth to RMB21.6 billion in the 2021. Frost & Sullivan expects that the market size would continue to increase to RMB37.6 billion in 2025. The PRC continues to be the principal market, and its market share increased from 21.9% in 2016 to 27.0% in 2021 and is expected to reach 31.2% in 2025.

Pearlescent pigment products are generally used as colourants in a wide range of industrial and non-industrial applications. The principal products of the Group include natural mica-based and synthetic mica-based pearlescent pigment products. The natural mica-based pearlescent pigment products are the principal products in the industry. The synthetic mica-based pearlescent pigment market is in a state of rapid development. The market share of synthetic mica-based pearlescent pigment products increased from 5.3% in 2016 to 12.7% in 2021 and is expected to increase to 18.9% in 2025. The use of pearlescent pigment products for coating, plastics, automotive and cosmetics applications are expected to experience significant growth in the near future.

The PRC pearlescent pigment market has grown its market size and proportion at the global market. In 2021, the market reaches RMB5,826.9 million by increasing at a CAGR (compound annual growth rate) of 23.2% from 2016 to 2021, among which the natural mica-based, synthetic mica-based, aluminium oxide-based and silicon oxide-based pearlescent pigment markets took up a market share of 72.0%, 17.6%, 2.8% and 0.9%, respectively. Similar to the global markets, the aggregate market share of coating, plastics, automotive and cosmetics applications represent in aggregate of a significant percentage of the total use of pearlescent pigment products.

During the FY2021, the principal products of the Group include natural mica-based and synthetic mica-based pearlescent pigment products. The Group produced and sold a comprehensive portfolio of pearlescent pigment products covering diverse applications and industries, including automotive coatings, cosmetics, industrial coatings, plastics, printing, textile and leather and ceramics. The Group also produced and sold synthetic mica powder products of different granule sizes, which can be used for the production of different grades of pearlescent pigment products (including those used in cosmetics, ceramics and automotive applications) and also as raw materials for the production of functional fillers, insulating materials, refractory materials and nickel-hydrogen batteries.

BUSINESS REVIEW

During the FY2021 and shortly after the Listing Date, the Company was honourably awarded as the "2021 Golden Unicorn HK & US Initial Public Offerings of the Year (2021金麒麟港美股年度最佳新股)" by Sina Finance. The Company was also named as one of the "Most Popular Initial Public Offerings for Investors (最受投資者歡迎新股公司)" by the Sixth Golden Hong Kong Stock Award. In addition, Mr. SU Ertian, the Chairman and the Chief Executive Officer of the Group, has been awarded the "Best Corporate Leader Award (最佳企業領袖獎)" by the Listed Companies Committee of the Hong Kong Chinese Enterprises Association and the Hong Kong Chinese Securities Association in recognition of his achievements and contributions to the business development of the Group. Throughout the FY2021, in addition to completion of the Global Offering and the Listing, the Group has achieved the following milestones:

ENHANCED PRODUCT PORTFOLIO

The pearlescent pigment products of the Group can be broadly divided into (a) natural mica-based pearlescent pigment products; (b) synthetic mica-based pearlescent pigment products; (c) glass flake-based pearlescent pigment products; and (d) silicon oxide-based pearlescent pigment products. The Group's pearlescent pigment products are used as colourant in diverse applications and industries, including industrial coatings, plastics, textiles and leather, cosmetics and automotive coatings. As of 31 December 2021, the Group offered four principal categories of pearlescent pigment products under different product series with different colours, particle sizes and lustre level as follows:

(a) 498 natural mica-based pearlescent pigment products under 17 series of different colours, texture and glossiness;

(b) 311 synthetic mica-based pearlescent pigment products under 14 series of different colours, texture and glossiness;

(c) 36 glass flake-based pearlescent pigment products under two series which has different transparency, refractive index and flake structure; and

(d) 18 silicon oxide-based pearlescent pigment products under one series.

The Group also produced synthetic mica powder of different granule sizes. The synthetic mica powder is used by the Group for the production of synthetic mica-based pearlescent pigment products. The Group's synthetic mica powder can also be used as raw materials for the production of functional fillers, insulating materials, refractory materials and nickel-hydrogen batteries. During the FY2021, the Group only sold a small portion of synthetic mica powder to its customers.

During the FY2021, the pearlescent pigment products of the Group continued to be used in a wide range of downstream applications, ranging from industrial coatings to plastics, textiles and leather, cosmetics, ceramics and more importantly to automotive coatings. Analyses on the revenue generated by different types of the Group's pearlescent pigment products, are set forth in the paragraphs under "Financial Review" in this annual report. As a result, during the FY2021, the revenue of the Group amounted to RMB669.7 million, representing an increase of 17.7% as compared to RMB569.1 million during the FY2020. The amount of the gross profit in FY2021 were RMB334.6 million, as compared to RMB284.1 million during the FY2020. These demonstrate that the Group's business continued to grow during the FY2021 following completion of the Global Offering and the Listing.

DEDICATED RESEARCH AND DEVELOPMENT CAPABILITY

During the FY2021, the Group continued to invest and focus on the dedicated research and development capability for two principal objectives, namely increasing the product portfolio and improving the production efficiency. During the FY2021, a total of 35 natural mica-based pearlescent pigment products, 58 synthetic mica-based pearlescent pigment products, six glass flake-based pearlescent pigment products and 13 silicon oxide-based pearlescent pigment products has been launched by the Group, and these products are of characteristics for different applications.

In addition, the Group has obtained 33 patents in the PRC and has submitted six applications for patent and 14 applications for trademark registration in the PRC. As of 31 December 2021, the Group had a total of 33 patented technologies, four software copyrights and 13 registered trademarks and was accredited as a "National Intellectual Property Superior Enterprise (國家知識財產權優勢企業)" by China National Intellectual Property Administration. A wholly-owned subsidiary of the Company, Guangxi Chesir Pearl Material Co., Ltd. (廣西七色珠光材料股份有限公司) ("**Chesir Pearl**"), was awarded the gold and silver award in the Guangxi Invention Creation Exhibition and Trade Fair Project (廣西發明創造成果展覽交易會項目) because of its invention of the self-developed synthetic mica production method, such as: a wet synthesis method for preparing $KMg_3(AlSi_3O_{10})F_2$ crystal powder, conductive sericite powder and three dimensional magnetic pearlescent pigments. The award reflects the strong research and development capability of the Group and its commitment to the protection of the core values.

The Group has successfully launched the 2021 Winter New Product Launch, under which 12 Chinese style series of pearlescent pigment products were launched primarily for the cosmetics applications. These products sparked heated discussions in the industry. Through technological innovation, colours travel through vast space are reflected authentically on a tiny pearl. These reflect the Group's capability through technological innovation and its continuous efforts in upgrading its research and development.

To further strengthen the Group's research and development efforts, the Chesir Pearlescent New Material Research and Development Centre of the University of Zhejiang (浙江大學七色珠光新材料聯合研發中心) commenced operation on 26 September 2021 following the successful launch of the Chesir Pearlescent New Material Research and Development Centre (七色珠光新材料聯合研發中心) with the Hubei University of Technology for the research and development of new products and new applications, improvement of new production technology and upgrading the production plant and machinery. The new research and development centre aims to build an international research and development platform for new materials and intelligent manufacturing of pearlescent pigment products, thus adding a new edge to the Group's future scientific and technological innovation.

BUSINESS REVIEW

CAPTURE NEW OPPORTUNITIES WITH INCREASING PRODUCTION CAPABILITY

The Phase 1 Production Plant[1] of the Group is in smooth operation. In addition, the Group continues to leverage on the construction of new production facilities as the driving force to enhance the competitiveness of the Group. Further information on the use of the net proceeds from the Global Offering is set forth in the paragraphs under "Use of the Net Proceeds from the Global Offering" in this annual report. The construction of the Phase 2 Production Plant[2] and the Luzhai Synthetic Mica Plant[3] are in progress. As of the date of this report, the first stage of the Phase 2 Production Plant is undergoing the equipment installation and is in testing and capacity ramp up stage, The trial production is expected to commence during the second quarter of 2022. In addition, the civil construction of the Luzhai Synthetic Mica Plant is in progress. The Directors expect that the construction works would be complemented and the trial production could be commenced in 2022. The operation of the Phase 1 Production Plant has undergone different levels of technological improvements and innovations as well as programmes on energy savings, emission controls and other production efficiency enhancement strategies.

EXPANSION OF THE CUSTOMER BASE

The pearlescent pigment producers like the Group are the major participants in the industry. Downstream customers in the pearlescent pigment industry mainly include direct customers, such as cosmetics manufacturers, automotive paint manufacturers, etc., and pearlescent pigment trading companies. Pearlescent pigment trading companies are more inclined to cooperate with larger pearlescent pigment manufacturers due to its capacity to offer a wide range of products at competitive prices. The Group has constantly maintained a strong bargaining power and enjoyed a dominant position in the value chain of the pearlescent pigment industry due to its strong production capacity. The technological innovations of the Group's pearlescent pigment products are tailor-made for different downstream applications and this creates momentum to drive the improvements of the quality (and the variety) of the Group's pearlescent pigment products.

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1 The production plant currently used by us for the research and development and production of the pearlescent pigment products and synthetic mica powder is located in Liuzhou City, Guangxi Zhuang Autonomous Region, the PRC with a total site area of 99,688.2 square meters ("**sq.m.**") and an aggregate gross floor area of 56,445.6 sq.m. with designed annual production capacity of 13,740 tonnes of pearlescent pigment products and designed annual production capacity of 9,504 tonnes of synthetic mica powder.

2 The production plant planned to be constructed with an estimated total site area of 148,713.7 sq.m. for the production of the Group's pearlescent pigment products with an estimated designed annual production capacity of 30,000 tonnes.

3 The production plant planned to be constructed with an estimated site area of 42,467.2 sq.m. for the production of synthetic mica flakes with an estimated designed annual production capacity of 30,000 tonnes.

EXPANSION OF THE SALES AND DISTRIBUTION NETWORK

The Group has 259 trading company customers in the PRC and other countries which form a broad sales and marketing network for the products of the Group in the PRC and covering all major countries and territories in the world. In addition to the trading companies, the Group also has a strong base of 172 end user customers in the PRC and other countries. The large-scale sales and distribution system enables the Group's products to be sold to globally renowned cosmetics companies, automotive coating companies, printing companies and plastic companies. Through years of cooperation with customers, the Group has built a stable long-term relationship as well as a strong foundation of confidence and trust with the customers. In addition, the Group's sales and marketing team continues to carry out brand building activities and campaigns through a combination of online and offline efforts for the purpose of promoting "Chesir Pearl" as an internationally renowned brand of quality pearlescent pigment products. The stable consumer platform and sales and the marketing network benefit the Group's business development and strengthen its market share in the pearlescent pigment industry.

RESILIENCE AGAINST THE ECONOMIC DOWNTURN AND ENHANCE THE OVERALL COMPETITIVENESS

Since the early of 2020, the COVID-19 pandemic has materially and adversely affected the global economy as well as the economy in the PRC. Since the Group's pearlescent pigment products are generally used as colourant in different downstream applications such as automotive, cosmetics and industrial coatings, the business of the Group has not been particularly affected by the COVID-19 pandemic and is less sensitive to the economic downturn. Due to the excellent chemical stability of pearlescent pigments and the ability to be evenly distributed in water and glycerine, the demand for pearlescent pigments are rapidly recovering and growing with the gradual resumption of work and production.

FINANCIAL REVIEW

The following sets forth the management's discussion and analysis of the performance of the Group during the FY2021. Comparisons have also been made to the performance of the Group during the FY2020, in which the Company had yet to be listed on the Stock Exchange. Please refer to note 2 to the consolidated financial statements on the bases upon which the results of the Group are prepared for the FY2021 and FY2020.

REVENUE

The Group is principally engaged in the business of the production and sales of pearlescent pigment products. The assets of the Group are substantially located in the PRC, and the Group operates one single reportable business segment, which is a strategic business unit centrally managed with the required technology and marketing strategies, and offers two principal types of products, namely (a) natural mica-based pearlescent pigment products; (b) synthetic mica-based pearlescent pigment products; (c) glass flake-based pearlescent pigment products; and (d) silicon oxide-based pearlescent pigment products.

The revenue of the Group is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties.

The table below sets forth an analysis of revenue by major products:

	Year ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
Pearlescent pigment products				
– Natural mica-based	**347,936**	**51.9**	318,957	56.0
– Synthetic mica-based	**271,766**	**40.6**	197,141	34.6
– Glass flake-based	**44,987**	**6.7**	46,821	8.2
– Silicon oxide-based	**3,018**	**0.5**	2,869	0.5
	667,707	**99.7**	565,788	99.3
Synthetic mica powder[1]	**2,020**	**0.3**	3,325	0.7
Total	**669,727**	**100.0**	569,113	100.0

Note:

(1) The Group produces synthetic mica powder of different granule sizes, which can be used by the Group for the production of synthetic mica-based pearlescent pigment products. The synthetic mica powder can also be sold to the customers of the Group, in most cases upon the customers' requests, as their raw materials for the production of functional fillers, insulating materials, refractory materials and nickel-hydrogen batteries.

The customers of the Group may be broadly divided into trading company customers and end user customers. The former will re-sell the products to their own customers with whom the Group does not have direct contractual relationship. End user customers are customers using the products of the Group for their own use and production purpose.

FINANCIAL REVIEW

The table below sets forth an analysis of the Group's sales to trading company customers and end user customers by products:

	Year ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
Trading company customers				
– Pearlescent pigment products	551,408	82.3	463,367	81.4
– Synthetic mica powder	244	—*	116	—*
	551,652	82.3	463,483	81.4
End user customers				
– Pearlescent pigment products	116,299	17.4	102,421	18.0
– Synthetic mica powder	1,776	0.3	3,209	0.6
	118,075	17.7	105,630	18.6
Total	669,727	100.0	569,113	100.0

* *Value insignificant*

The table below sets forth an analysis of the Group's sales to customers by locations:

	Year ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
PRC	641,657	95.8	539,172	94.8
Asia(1)	10,446	1.6	13,286	2.3
Europe(2)	8,914	1.3	11,174	2.0
Africa(3)	8,403	1.3	5,276	0.9
South America(4)	307	—*	205	—*
Total	669,727	100.0	569,113	100.0

* *Value insignificant*

Notes:

(1) Countries and territories in Asia include Pakistan, Hong Kong, Macau and Taiwan, Korea, Bangladesh, Japan, Saudi Arabia, Thailand, Turkey, Israel, India, Indonesia, Jordan and Vietnam.

(2) European countries include Estonia, Belgium, Poland, Germany, Russia, Ukraine, Finland, Netherlands, Serbia, Switzerland, Spain, Greece, Italy and United Kingdom.

(3) Countries in Africa include Algeria, Morocco, Tunisia and Egypt.

(4) Countries in South America include Brazil and Chile.

FINANCIAL REVIEW

Sales of pearlescent pigment products

The revenue generated from sales of pearlescent pigment products increased to RMB667.7 million in the FY2021 from RMB565.8 million in the FY2020, representing an increase of RMB101.9 million or 18.0%. Sales of natural mica-based pearlescent pigment products increased by RMB29.0 million, or 9.1%, as compared to the same period in the FY2020. The Group expanded its product offering of natural mica-based pearlescent pigment products from 463 in the FY2020 to 498 in the FY2021. Sales of synthetic mica-based pearlescent pigment products increased by RMB74.6 million, or 37.9%, as compared to the same period in the FY2020. The Group expanded its product offering of synthetic mica-based pearlescent pigment products from 253 in the FY2020 to 311 in the FY2021. Sales of glass flake-based pearlescent pigment products decreased by RMB1.8 million, or 3.9%, as compared to the same period in the FY2020. The Group sold silicon oxide-based pearlescent pigment products and contributed revenue of RMB3.0 million in the FY2021.

Sales of synthetic mica powder

The sales of synthetic mica powder decreased to RMB2.0 million in the FY2021 from RMB3.3 million in the FY2020. The decrease was due to the increasing demand for the synthetic mica-based pearlescent pigment products and the Group using most of the synthetic mica flakes (being the semi-finished product of synthetic mica powder, which will undergo pulping to form synthetic mica in wet state) produced for own production of synthetic mica-based pearlescent pigment products.

COST OF GOODS SOLD

The cost of goods sold increased by 17.7% from RMB280.0 million in the FY2020 to RMB329.7 million in the FY2021. The increase in cost of goods sold was mainly due to the increase in the sales volume of pearlescent pigment products by 17.5% from 14,243 tonnes in the FY2020 to 16,730 tonnes in the FY2021.

GROSS PROFIT AND GROSS PROFIT MARGIN

The overall gross profit increased to RMB334.6 million in the FY2021 from RMB284.1 million in the FY2020, representing an increase of 17.8%. The increase in the amount of the gross profit was primarily due to the increase in the amount of revenue. The gross profit margin in the FY2021 was 50.0%, as compared to 49.9% in the FY2020. These was no significant difference in the gross profit margin in the FY2020 and the FY2021.

OTHER INCOME AND OTHER GAINS AND LOSSES

The amount of other income and other gains and losses in the FY2021 was RMB7.2 million, as compared to RMB14.8 million in the FY2020. The decrease was primarily due to the decrease in the PRC Government grants received by the Group for the research and development activities/projects undertaken by the Group by RMB8.5 million and the fair value loss of RMB2.0 million on the derivative component of the convertible bonds in the principal amount of RMB72,240,000 issued by Chesir Pearl to two bondholders on 31 May 2019 which had been transferred to Guangxi Guidong Electric Power Co., Ltd. (廣西桂東電力股份有限公司) ("**Guidong Electric**") on 16 October 2020 and the conversion right attached therewith had been exercised in full by Guidong Electric on 19 October 2020.

IMPAIRMENT LOSSES FOR TRADE AND OTHER RECEIVABLES

The amount of impairment losses under the expected credit loss model in the FY2021 was RMB2.7 million, as compared to provision of impairment losses of RMB4.1 million in the FY2020.

SELLING EXPENSES

The selling expenses increased to RMB34.4 million in the FY2021 from RMB24.6 million in the FY2020, representing an increase of 40.0%. The increase in the amount of selling expenses was mainly due to the increases in (a) transportation expenses for delivery of the Group's products of RMB2.2 million and (b) marketing expenses of RMB5.1 million to promote the Group's pearlescent pigment products.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

The administrative and other expenses increased to RMB102.1 million in the FY2021 from RMB72.9 million in the FY2020, representing an increase of 40.1%. The increase was primarily due to (a) the amount of the Listing expenses incurred and charged to profit or loss of RMB9.0 million in the FY2021, as compared to RMB13.2 million charged to profit or loss in the FY2020, as well as (b) the additional professional fees of RMB5.3 million and charitable donations of RMB2.9 million. In addition, the expenses incurred on research and development activities were charged to profit or loss. During the FY2021, the Group incurred RMB48.4 million for its research and development activities, as compared to RMB29.3 million in the FY2020.

FINANCE COSTS

The finance costs decreased to RMB11.4 million in the FY2021 from RMB19.4 million in the FY2020, representing a decrease of 41.1%. Such decrease was primarily due to the decrease in interest payments as a result of (a) the repayment of bank loans of RMB3.6 million and finance lease of RMB17.1 million in the FY2021 and (b) the conversion of the 2019 Convertible Bonds on 19 October 2020.

INCOME TAX EXPENSE

The income tax expense decreased to RMB22.0 million in the FY2021 from RMB25.0 million in the FY2020. The decrease was primarily due to the increase in the percentage of the deductible expenses incurred on research and development activities, which reduced the amount of the profit subject to the PRC income tax of the PRC subsidiaries of the Company in the FY2021.

PROFIT FOR THE YEAR

As a result of the foregoing, the profit for the year amounted to RMB169.1 million in the FY2021, representing an increase of 10.6%, as compared with RMB152.9 million in the FY2020. Net profit margin slightly decreased to 25.3% in the FY2021, as compared to 26.9% in the FY2020.

BUSINESS OUTLOOK

The Directors believe that the global economy in 2022 would continue to be affected by the COVID-19 (and in particular, the Omicron variant) pandemic. As of the date of this annual report, the number of confirmed infection cases of COVID-19 in the PRC is increasing and several PRC cities have started implementing mass testing to prevent the continuous spread of COVID-19. The business development of the Group has not been affected, and the Group will continue to review and enhance its production facilities and capacities in order to provide a reliable, adequate and stable supply of pearlescent pigment products with the following strategies:

STEADY GROWTH IN PEARLESCENT PIGMENT INDUSTRY

The Directors expect that the penetration rate of pearlescent pigment products in various industries will increase. According to a study conducted by Frost & Sullivan and commissioned by the Group, by the end of 2025, the global automotive pearlescent pigment market will reach RMB4.5 billion at a compound annual growth rate of 47.1% and the global cosmetic pearlescent pigment market will reach RMB8.7 billion at a compound annual growth rate of 32.8%. The Directors are optimistic on the long-term prospects of the industry and more importantly, the prospects of using the environmental-friendly production technology and initiatives in the pearlescent pigment industry.

PROMOTION OF NEW PEARLESCENT PIGMENT PRODUCTS

The Group will continue to use its extensive sales and marketing network for the promotion of the 12 newly released Chinese style pearlescent pigment products and other pearlescent pigment products to capture new domestic and international opportunities. Following the success of the 2021 Winter New Product Launch, a similar product launching campaign will be held on a regular basis to the showcase the Group's continuous pursuit of creative technological innovation. In addition, the Group aims to enhance its reputation in the fashion industry and is gradually switching the operation of its marketing team to Shanghai by establishing a marketing centre in the city.

FULL USE OF RESEARCH AND DEVELOPMENT CAPABILITY

The research and development capability of the Group will benefit the Group by developing synthetic mica related energy material products that could be launched by the Group ahead of its competitors. The Directors expect that new products launched by the Group would generate a new source of sales revenue of the Group in 2022.

COMPLETION OF THE FIRST STAGE OF THE PHASE 2 PRODUCTION PLANT AND THE LUZHAI SYNTHETIC MICA PLANT

To further enhance the Group's production capacity, the Group will continue to complete the Phase 2 Production Plant and the Luzhai Synthetic Mica Plant as scheduled. The first stage of the Phase 2 Production Plant will increase the total production capacity of the Group by 6,000 tonnes of pearlescent pigment products in 2022. In addition, the first stage of the Luzhai Synthetic Mica Plant also provides the Group with 6,000 tonnes of synthetic mica flakes that could increase the production capacity of synthetic mica powder for the Group's production purpose and sales to the customers of the Group.

BUSINESS OUTLOOK

CAPTURE OF NEW BUSINESS OPPORTUNITIES

The Group will leverage on the capital market platform to accelerate the business expansion by engaging in merger and acquisition activities as and when appropriate. As of the date of this annual report, the Group has not identified any suitable opportunity. The Group will constantly adhere to the core values and corporate mission to "*Create Beautiful Colours for the World through Dedication of Premium Quality Products*" and utilise the capabilities in the industry to achieve a stable business growth in the future.

USE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING

The Shares have been listed on the Stock Exchange since the Listing Date. The Over-allotment Option (as defined and described in the prospectus (the "**Prospectus**") of the Company dated 30 June 2021) was partially exercised on 5 August 2021. The total number of new Shares issued by the Company under the Global Offering was 319,742,000 and the amount of the net proceeds received by the Company from the Global Offering amounted to HK$970.2 million. The Company received the amount of the net proceeds from the Global Offering in July 2021 and August 2021.

The table below sets forth the intended use of the net proceeds from the Global Offering and Over-allotment Option and actual usage for the FY2021:

Prescribed usage	Allocation of the net proceeds from the Global Offering and the Over-allotment Option HK$' million	Percentage to the total net proceeds %	Amount utilised up to 31 December 2021 HK$' million	Remaining balance as of 31 December 2021 HK$' million	Expected timeline for the intended use
Construction of the Phase 2 Production Plant	539.5	55.6	— (Note)	539.5	By the first quarter of 2025
Construction of the Luzhai Synthetic Mica Plant	330.8	34.1	—	330.8	By the second quarter of 2025
Increase investment in research and development facilities and testing equipment of the research and development centre	68.9	7.1	3.7	65.2	By end of 2022
Sales and marketing activities and building sales network	31.0	3.2	2.5	28.5	By end of 2023
Total	970.2	100.0	6.2	964.0	

Note:

The net proceeds from the Global Offering that would be used for the construction of the Phase 2 Production Plant amounted to HK$539.5 million. From the Listing Date to 31 December 2021, however, the Group did not use any of such amount for the purpose primarily due to the electricity shortage in fourth quarter of 2021. The Group used the electricity supplied primarily for its production purpose. The Board confirms that the proposed use of the net proceeds from the Global Offering remains unchanged and that the unutilised portion of such amount in 2021 would be used during the first half of 2022 for the same purpose. There are no other changes in the completion time and the use of the net proceeds for the construction of the Phase 2 Production Plant as originally planned.

As of the date of this annual report, the unutilised balance of the net proceeds from the Global Offering are deposited in licensed banks in Hong Kong and the PRC.

DIRECTORS' REPORT

In addition to the business and financial information set forth in this annual report, the following sets forth certain information of the Group and its business and other operational aspects for the purpose of complying with the disclosure requirements under The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the applicable laws and regulations:

DIRECTORS

The Directors of the Company during the FY2021 and up to the date of this annual report were:

Executive Directors

Mr. SU Ertian *(Chairman and Chief Executive Officer)*
Mr. ZHENG Shizhan
Mr. JIN Zengqin
Mr. ZHOU Fangchao *(Joint company secretary)*

Non-executive Directors

Mr. QIN Min
Mr. HU Yongxiang
Mr. NG Teck Sim (resigned on 29 May 2021)
Mr. KOK Hoong Chwan (alternate to Mr. NG Teck Sim) (resigned on 29 May 2021)

Independent non-executive Directors

Mr. MAK Hing Keung, Thomas
Professor HAN Gaorong
Mr. LEUNG Kwai Wah Alex

The updated biographical information on the Directors as of the date of this annual report is set forth in the paragraphs under "Biographical Information on Directors and Senior Management" of this annual report.

In accordance with article 84 of the articles of association (the "**Articles**") of the Company, Mr. SU Ertian, Mr. ZHENG Shizhan and Mr. JIN Zengqin shall retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting (the "**Annual General Meeting**") to be held on Friday, 24 June 2022.

PRINCIPAL BUSINESS ACTIVITIES

The principal activity of the Company is investment holding, and its subsidiaries are principally engaged in the business of production and sales of pearlescent pigments products.

RESULTS AND APPROPRIATIONS

The results of the Group for the FY2021 are set forth under the "Consolidated Statement of Profit or Loss" in this annual report.

DIRECTORS' REPORT

FINAL DIVIDEND AND DIVIDEND POLICY

The Company has not adopted any fixed dividend pay-out ratio. Dividends may be paid out by way of cash or by such other means as the Directors consider appropriate. Declaration and payment of any dividends would require the recommendation of the Directors and will be at their discretion. In addition, any final dividend for a financial year will be subject to the approval of the Shareholders. A decision to declare or pay any dividend in the future, and the amount of any of such dividends, depends on a number of factors, including the Group's results of operations, financial condition, amount of capital expenditures, payment by the subsidiaries of cash dividends to the Company and such other factors as the Directors may deem relevant.

Any declaration or proposed payment of dividend or distribution by the Company is also subject to any requirements and restrictions under the Companies Laws of the Cayman Islands, the Articles and any other applicable laws, rules and regulations.

The Directors propose a final cash dividend of 3.5 HK cents per Share for the FY2021 (FY2020: Nil), subject to the approval of the Shareholders at the forthcoming Annual General Meeting to be held on Friday, 24 June 2022. The final dividend will be payable on or about Monday, 18 July 2022 to the Shareholders whose names appear on the register of members of the Company on Monday, 4 July 2022.

BUSINESS REVIEW AND PROSPECTS

Discussions and review on the business activities of the Group as required by Schedule 5 to the Companies Ordinance, including material events that have occurred since the year-end date and an indication of likely future development in the Group's business are set forth in the paragraphs under "Chairman's Statement", "Business Review", "Financial Review", "Business Outlook", "Use of the Net Proceeds from the Global Offering" and "Corporate Governance Report" as well as in the notes to the consolidated financial statements in this annual report. The relevant discussions form part of this Directors' Report.

SUBSIDIARIES

Further information on the Company's principal subsidiaries is set forth in note 19 to the consolidated financial statements in this annual report.

FINANCIAL SUMMARY

A summary of the operating results and of the assets and liabilities of the Group for the last four years is set forth in the paragraphs under "Four-Year Financial Summary" in this annual report.

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity and indebtedness

The Group's business operation is generally financed by its internal financial resources and bank borrowings. In addition, during the FY2021, the Group has received net proceeds from the Global Offering of HK$970.2 million.

As of 31 December 2021 and 2020, the restricted bank balances and the bank and cash balances amounted to RMB1,605.5 million and RMB747.6 million, respectively. These balances were maintained at a prudent level for the purpose of satisfying the requirements for daily business operations of the Group. The increase in the bank and cash balances as of 31 December 2021 was mainly due to the receipt of the net proceeds from the Global Offering.

As of 31 December 2021 and 2020, the borrowings amounted to RMB157.9 million and RMB165.6 million, respectively. The decrease in the borrowings was because of the repayment of bank loans of RMB3.6 million and finance lease of RMB17.1 million in the FY2021.

Borrowings

Further information on the borrowings of the Group is set forth in note 27 to the consolidated financial statements in this annual report.

Gearing ratio

The gearing ratio (calculated as total liabilities divided by total equity) of the Group was 11.2% as of 31 December 2021 (31 December 2020: 18.3%). The decrease was primarily due to the receipt of the net proceeds from the Global Offering.

Equity and net asset value

Shareholders' funds of the Company as of 31 December 2021 amounted to RMB99.3 million, as compared to RMB12.3 million as of 31 December 2020. Net asset value per Share contributed to owners of the Company as of 31 December 2021 amounted to RMB1.82, as compared to RMB8.13 as of 31 December 2020 on which the Listing was not completed.

Contingent liabilities

As of 31 December 2021, the Group did not have any material contingent liabilities.

Pledge of assets

As of 31 December 2021, certain property, plant and equipment, right-of-use assets and cash deposits with aggregate net book value of RMB112.0 million, as compared to RMB135.2 million as of 31 December 2020, were pledged to financial institutions as collaterals for bills payables, bank borrowings and lease liabilities.

DIRECTORS' REPORT

CAPITAL STRUCTURE

Save for the reorganisation for the Listing and completion of the Global Offering, there has been no material change in the capital structure of the Company during the FY2021. The capital of the members of the Group comprises ordinary shares and equity capital.

Further information on the changes in the share capital of the Company during the period from the Listing Date and up to 31 December 2021 is set forth in note 24 to the consolidated financial statements in this annual report. Information about the share option of the Company and details of changes in the share options granted by the Company for the FY2021 is set forth in the paragraphs under "Share Option Scheme" below.

RESERVES

Further information on the movements in the reserves of the Group and of the Company for the FY2021 is set forth in Consolidated Statement of Changes in Equity and note 25 to the consolidated financial statements in this annual report, respectively.

PROPERTY, PLANT AND EQUIPMENT

Further information on the movements in property, plant and equipment of the Group for the FY2021 is set forth in note 17 to the consolidated financial statements in this annual report.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital commitments represent the amount of capital expenditure contracted for as of a particular date but not yet incurred. As of 31 December 2021 and 2020, the capital commitments amounted to RMB635.0 million and RMB568.3 million, respectively, which represent the commitments to purchase property, plant and equipment and include (a) the modifications and expansions of the Phase 1 Production Plant and (b) the construction of the Phase 2 Production Plant and the Luzhai Synthetic Mica Plant and the acquisition of the related production facilities.

FOREIGN EXCHANGE EXPOSURE

The Group has limited exposure to foreign currency risk as most of its business transactions, assets and liabilities are denominated in Renminbi, while payment for the purchase of certain imported raw materials are required to be settled in US dollars. The Group has not maintained any long-term hedging arrangement for this limited exposure as it monitors the exchange rates between Renminbi and US dollars from time to time and maintain sufficient amount of US dollars for settlement purpose.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL

Save as disclosed in the paragraphs under "Use of the Net Proceeds from the Global Offering" in this annual report, the Group did not have any significant investment, material acquisition or disposal during the FY2021.

MAJOR CUSTOMERS AND SUPPLIERS

The Group maintains effective communications with its customers and strives to satisfy customers' requirements from time to time, in order to provide high quality products to its customers.

The Group establishes good relationships with reputable suppliers within the industries and conducts a fair appraisal of its suppliers on a regular basis.

The percentage of purchases attributable to the five largest suppliers of the Group in aggregate during the FY2021 was 52.1% of the total purchases of the Group and the largest supplier included therein amounted to 15.3%.

None of the Directors, their close associates or any Shareholders, which to the knowledge of the Directors owned more than 5% of the Company's total number of issued shares, had a beneficial interest in any of the Group's five largest suppliers.

The percentage of the aggregate revenue attributable to the Group's five largest customers during the FY2021 was less than 30% of the Group's total revenue.

EMPLOYEES AND REMUNERATION POLICY

Employees are one of the most important assets of the Group and their contribution and support are valuable. The Group would regularly review the employees' compensation and benefits packages to reward and recognise those with outstanding performance. Other fringe benefits, such as employees' provident fund and share options, if applicable, are provided to attract and retain talents helping the Group in success.

The Group had 501 employees in the PRC and two employees in Hong Kong as of 31 December 2021 (31 December 2020: 462 and nil, respectively). The Group encourages high productivity and remunerates its employees based on their qualifications, work experience, prevailing market rates and individual contribution to the Group. Incentives in the form of bonuses and share options may also be offered to eligible employees based on individual performance. Pursuant to applicable laws and regulations, the Group has participated in relevant defined contribution retirement schemes administered by responsible government authorities in the PRC for its employees there.

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") of the Company was approved and conditionally adopted pursuant to the resolutions passed by the Shareholders on 2 June 2021 (the "**Adoption Date**") for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. Since the Adoption Date and up to 31 December 2021, no share options of the Company were granted, exercised, cancelled or lapsed under the Share Option Scheme.

DIRECTORS' REPORT

A summary of the Share Option Scheme is set forth below:

1	Purpose	As incentive or rewards to eligible participants for their contribution or potential contribution to the Group.
2	Participants	(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group (the "**Executive**"), any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group (the "**Employee**"); (b) a director or proposed director (including an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and (g) an associate of any of the persons referred to in paragraphs (a) to (c) above.
3	Total number of securities available for issue under the Share Option Scheme together with the percentage of the issued shares that it represents as of the date of this annual report	A maximum of 116,269,558 shares to be allotted and issued.
4	Maximum entitlement of each participant	1% of the Shares in issue from time to time.
5	Period within which the securities must be taken up under an option	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.

6	Minimum period, if any, for which an option must be held before it can be exercised	To be determined at time of offering the grant of an option.
7	Amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid	HK$1.0 on acceptance.
8	Basis of determining the exercise price	At the discretion of the Board at the time of grant of the option but the subscription price shall not be less than whichever the highest of: (a) the nominal value of a Share; (b) the closing price of a Share in the Stock Exchange's daily quotation sheet on the date of grant; and (c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days (as defined in the Listing Rules) immediately preceding the date of grant.
9	The remaining life of the Share Option Scheme	10 years from the date on which it becomes unconditional

CONNECTED TRANSACTION

During the FY2021, the Group has not entered into any connected transaction. The Company confirmed that it has complied with the disclosure requirement of a connected transaction in accordance with Chapter 14A of the Listing Rules by publication of an announcement.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any of the Company's listed securities for the FY2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as of the date of this annual report, there is sufficient public float of not less than 25% of the shares are in the hands of the public as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

DONATIONS

Donations by the Group for charitable during the FY2021 amounted to RMB2.9 million.

SUBSEQUENT EVENTS

There was no significant event affecting the Group which occurred after 31 December 2021 and up to the date of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The business of the Group is subject to various risks and uncertainties, and they are set forth in details in the Prospectus. Such risks include the following:

– The sales are dependent on the PRC and global economy, and any significant economic downturn in the PRC and global economy could adversely affect our business, financial condition, results of operations and prospects.

– The levels of demand and supply of pearlescent pigment products and synthetic mica powder are not entirely within the Group's control and are generally affected by the paint, chemical and cosmetics industries, the overall macroeconomic factors in the pearlescent pigment and synthetic mica powder industries and the production capacity of other manufacturers.

– The business and financial conditions of the Group depend on our ability to effectively manage our inventories and the turnover rate of our inventories is susceptible to the overall demand of customers and changes in consumer choice and preference which are beyond our control.

After the outbreak of coronavirus disease 2019 ("**COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across different countries. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. Save as disclosed in the paragraphs under "Chairman's Statement", "Business Review", "Financial Review" and "Business Outlook" of this annual report, the Group is not aware that the COVID-19 outbreak has caused any material adverse impact on the business operation and financial position of the Group during the year.

In addition, the Group is exposed to a variety of financial risks due to its business operation and activities, including and without limitation, foreign currency risk, credit risk, liquidity risk and interest rate risk. Further information on the Group's exposure to foreign exchange risk and other financial risks is set forth in the paragraphs under "Foreign Exchange Exposure" above and note 6 to the consolidated financial statements in this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the FY2021, and up to date of this annual report, the Board was not aware of any non-compliance with the applicable laws and regulations, including the Articles, the laws of the Cayman Islands, the Listing Rules, other laws and regulations, which have a significant impact on the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group supports sustainable development by conducting its business in an environmentally responsible manner.

Discussions on the Group's environmental policies and performance during the FY2021 are set forth in the paragraphs under "Environmental, Social and Governance Report" in this annual report. These discussions form part of this Directors' Report.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from the independent non-executive Directors the confirmations of their independence pursuant to Rule 3.13 of the Listing Rules. On this basis, all the independent non-executive Directors are considered to be independent for the purpose of the Listing Rules.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has entered or has proposed to enter into any service agreements with the Company or any other member of the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Further information on the Directors' and senior management's emoluments and of the five highest paid individuals in the Group is set forth in notes 13 and 14 to the consolidated financial statements in this annual report. The emolument policy of the employees of the Group is set up by the senior management of the Group on the basis of their merit, qualifications and competence. The emoluments of the Directors and senior management of the Company are decided by the remuneration committee of the Company, having regard to the Company's operating results, individual performance and prevailing market conditions.

DIRECTORS' INTERESTS IN CONTRACTS, TRANSACTIONS AND ARRANGEMENTS

Save as disclosed above in the paragraphs under "Connected Transaction" above, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his or her connected entity has or had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the FY2021.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Group were entered into or existed during the FY2021.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed below in the paragraphs under "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company", at no time during the FY2021 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As of 31 December 2021, the interests and short positions of the Directors and chief executive of the Company or any of their associates in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required (i) 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 in which they were taken or deemed to have under such provisions of the SFO); or (ii) to be recorded into the register kept by the Company pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 to the Listing Rules, were as follows:

Name of Directors	Nature of interest and capacity	Number of Shares or underlying Shares held	Approximate percentage of shareholding
Mr. SU Ertian ("**Mr. SU**")	Interest in controlled corporation(1)	298,546,800	25.05%
	Interest in controlled corporation(2)	44,958,828	3.78%
	Interest in controlled corporation(3)	27,041,172	2.27%
	Interest in controlled corporation(4)	1,368,000	0.11%
	Interest in controlled corporation(5)	27,307,200	2.29%
	Interest in controlled corporation(6)	26,988,948	2.26%
Mr. ZHENG Shizhan ("**Mr. ZHENG**")	Interest in controlled corporation(1)	298,546,800	25.05%
Mr. JIN Zengqin ("**Mr. JIN**")	Interest in controlled corporation(5)	27,307,200	2.29%
	Interest in controlled corporation(6)	26,988,948	2.26%
Mr. HU Yongxiang ("**Mr. HU**")	Interest in controlled corporation(7)	19,285,200	1.62%

Notes:

(1) Guangxi Hongzun Investment Group Co., Ltd. ("**Hongzun Investment**") is owned as to 51.0% and 49.0% by Mr. SU and Mr. ZHENG, respectively. Therefore, Mr. SU and Mr. ZHENG is deemed to be interested in all the Shares held by Hongzun Investment for the purpose of the SFO. Mr. SU and Mr. ZHENG are also chairman and vice chairman of Hongzun Investment, respectively.

(2) Ertian International Investment Limited ("**Ertian International**") is wholly-owned by Mr. SU. Therefore, Mr. SU is deemed to be interested in all the Shares held by Ertian International for the purpose of the SFO. Mr. SU is the sole director of Ertian International.

(3) Seven Color Pearl Investment Limited ("**Seven Color Pearl Investment**") is wholly-owned by Mr. SU. Therefore, Mr. SU is deemed to be interested in all the Shares held by Seven Color Pearl Investment for the purpose of the SFO. Mr. SU is the sole director of Seven Color Pearl Investment.

(4) The general partner of Liuzhou Lianrun Enterprise Management Partnership Enterprise (Limited Partnership) ("**Liuzhou Lianrun LP**") is Mr. SU who owns 11,000 shares of Liuzhou Lianrun LP. The original 24 individual equity holders of Chesir Pearl, who are limited partners and independent third parties, own 217,000 shares of Liuzhou Lianrun LP. Therefore, Mr. SU is deemed to be interested in all the Shares held by Liuzhou Lianrun LP for the purpose of the SFO. For the avoidance of doubt, there is no individual limited partner contributed more than one-third of the capital contribution of Liuzhou Lianrun LP.

DIRECTORS' REPORT

(5) The general partner of Liuzhou Qise Enterprise Management Partnership Enterprise (Limited Partnership) ("**Liuzhou Qise LP**") is Mr. SU who owns 10,000 shares of Liuzhou Qise LP. Mr. JIN, being one of the limited partners, owns 1,565,200 shares of Liuzhou Qise LP and the original 18 individual equity holders of Chesir Pearl, who are limited partners and independent third parties, own 2,976,000 shares of Liuzhou Qise LP. Therefore, Mr. SU and Mr. JIN are deemed to be interested in all the Shares held by Liuzhou Qise LP for the purpose of the SFO. For the avoidance of doubt, there is no individual limited partner (except Mr. JIN) contributed more than one-third of the capital contribution of Liuzhou Qise LP.

(6) The general partner of Liuzhou Colorful Enterprise Management Partnership Enterprise (Limited Partnership) ("**Liuzhou Colorful LP**") is Mr. SU who owns 10,000 shares of Liuzhou Colorful LP. Mr. JIN, being one of the limited partners, owns 1,500,000 shares of Liuzhou Colorful LP and the original 18 individual equity holders of Chesir Pearl, who are limited partners and independent third parties, own 2,988,158 shares of Liuzhou Colorful LP. Therefore, Mr. SU and Mr. JIN are deemed to be interested in all the Shares held by of Liuzhou Colorful LP for the purpose of the SFO. For the avoidance of doubt, there is no individual limited partner (except Mr. JIN) contributed more than one-third of the capital contribution of Liuzhou Colorful LP.

(7) Mr. HU is the sole director of China Banyan Capital INT Holdings Limited who owns 50 shares of China Banyan Capital INT Holdings Limited. The original 12 individual equity holders of Chesir Pearl, who are independent third parties, hold 49,950 shares of China Banyan Capital INT Holdings Limited. Therefore, Mr. HU is deemed to be interested in the Shares held by China Banyan Capital INT Holdings Limited.

Save as disclosed above, as of 31 December 2021, none of the Directors or the chief executive of the Company and any of their associates had or was deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which was required (i) 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 they were taken or deemed to have under such provisions of the SFO); or (ii) to be recorded into the register kept by the Company pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As of 31 December 2021, the persons or corporations (not being a Director or chief executive of the Company) who had an interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name of Shareholders	Nature of interest and capacity	Number of Shares or underlying Shares held	Approximate percentage of shareholding
Hongzun Int Investment Group Ltd. ("**Hongzun International**")	Beneficial owner	298,546,800	25.05%
Hongzun Investment	Interest in controlled corporation(1)	298,546,800	25.05%
Guangxi Guidong Electric Power Co., Ltd. ("**Guidong Electric**")	Beneficial owner(2)	108,000,000	9.06%
Guangxi Zhengrun Development Group Co., Ltd.	Interest in controlled corporation(2)	108,000,000	9.06%
Guangxi Investment Group Co., Ltd.	Interest in controlled corporation(2)(3)	184,762,344	15.50%
GX Land & Sea Connectivity Holding Ltd ("**GX Land & Sea**")	Beneficial owner(3)	76,726,344	6.44%
Guangxi Land & Sea Connectivity Fund (Limited Partnership)	Interest in controlled corporation(3)	76,726,344	6.44%
Guangtou Capital Management Group Co., Ltd.	Interest in controlled corporation(3)	76,726,344	6.44%
China Development Bank Capital Co., Ltd.	Interest in controlled corporation(3)	76,726,344	6.44%
Guangxi Luhai New Channel Equity Investment Management Center (Limited Partnership)	Interest in controlled corporation(3)	76,726,344	6.44%
Yououbi Investment Management (Shanghai) Co., Ltd.	Interest in controlled corporation(3)	76,726,344	6.44%
Guangxi Luhai New Channel Equity Investment Management Co., Ltd.	Interest in controlled corporation(3)	76,726,344	6.44%
Guangxi Financial Investment Group Co., Ltd.	Interest in controlled corporation(3)	76,726,344	6.44%
China Development Bank.	Interest in controlled corporation(3)	76,726,344	6.44%
Central Huijin Investment Ltd.	Interest in controlled corporation(3)	76,726,344	6.44%

Notes:

(1) Hongzun International is wholly-owned by Hongzun Investment. Therefore, Hongzun Investment is deemed to be interested in all the Shares held by Hongzun International for the purpose of the SFO. Mr. SU is the sole director of Hongzun International.

(2) Guidong Electric is a listed company on the Shanghai Stock Exchange (stock code: 600310) and is owned as to 39.96% by Guangxi Zhengrun Development Group Co., Ltd. (which in turn is owned by Guangxi Investment Group Co., Ltd. as to 85.0%) as of the Latest Practicable Date. Therefore, Guangxi Zhengrun Development Group Co., Ltd and Guangxi Investment Group Co., Ltd are deemed to be interested in all the Shares held by Guidong Electric. Guangxi Investment Group Co., Ltd. is wholly-owned by the PRC government.

(3) GX Land & Sea is wholly-owned by Guangxi Land & Sea Connectivity Fund (Limited Partnership), which is a limited partnership established in the PRC. Guangxi Land & Sea Connectivity Fund (Limited Partnership) is owned as to 49.5% by Guangtou Capital Management Group Co., Ltd. and 49.5% by China Development Bank Capital Co., Ltd. and its general partner is Guangxi Luhai New Channel Equity Investment Management Center (Limited Partnership). Guangxi Luhai New Channel Equity Investment Management Center (Limited Partnership) is owned as to 39.6% by Yououbi Investment Management (Shanghai) Co., Ltd. and its general partner is Guangxi Luhai New Channel Equity Investment Management Co., Ltd., which in turn is owned as to 35.0% by China Development Bank Capital Co., Ltd. and 35.0% by Guangtou Capital Management Group Co., Ltd. Guangtou Capital Management Group Co., Ltd. is owned as to 51.0% by Guangxi Financial Investment Group Co., Ltd. and 49.0% by Guangxi Investment Group Co., Ltd. Guangxi Investment Group Co., Ltd is also the sole shareholder of Guangxi Financial Investment Group Co., Ltd, and is wholly-owned by the PRC government. China Development Bank Capital Co., Ltd. is wholly-owned by China Development Bank, which is owned as to 36.5% by the Ministry of Finance of the PRC and 34.7% by Central Huijin Investment Ltd. Central Huijin Investment Ltd. is wholly-owned by China Investment Co., Ltd., which in turn is wholly-owned by the PRC government. Therefore, Guangxi Land & Sea Connectivity Fund (Limited Partnership), Guangtou Capital Management Group Co., Ltd., China Development Bank Capital Co., Ltd., Guangxi Luhai New Channel Equity Investment Management Center (Limited Partnership), Yououbi Investment Management (Shanghai) Co., Ltd., Guangxi Luhai New Channel Equity Investment Management Co., Ltd., Guangxi Investment Group Co., Ltd., Guangxi Financial Investment Group Co., Ltd., China Development Bank, Central Huijin Investment Ltd. and China Investment Co., Ltd. are deemed to be interested in all the Shares held by GX Land & Sea.

Save as disclosed above, as of 31 December 2021, the Directors were not aware of any other person or corporation having an interests or short positions in Shares and underlying Shares as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PERMITTED INDEMNITY PROVISION

The Articles provide that every Director or other officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has maintained appropriate Directors' and officers' liability insurance in respect of relevant legal actions against the Directors and officers.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors is interest in any business apart from the Company's business that competes or is likely to compete, either directly or indirectly, with the Company's business.

CHANGES IN INFORMATION OF DIRECTORS

There is no change in information of the Directors subsequent to the date of the 2021 interim report of the Company pursuant to Rule 13.51B(1) of the Listing Rules.

AUDITOR

There has been no change of the auditor of the Company since the Listing. A resolution will be submitted to the forthcoming Annual General Meeting to re-appoint Messrs. RSM Hong Kong as the auditor of the Company.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Essence Corporate Finance (Hong Kong) Limited ("**Essence**"), the Company's compliance adviser, save for the compliance adviser agreement entered into between the Company and Essence dated 28 June 2021 in connection with the Listing, none of Essence or its directors, employees or close associates (as defined in the Listing Rules) had any interest in the Group as of 31 December 2021, which is required to be notified to the Company pursuant to Rule 3A.19 of the Listing Rules.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting will be held on Friday, 24 June 2022. The register of members of the Company will be closed from Tuesday, 21 June 2022 to Friday, 24 June 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to determine the entitlement to attend and vote at the Annual General Meeting, all share transfers accompanies by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 20 June 2022.

The register of members of the Company will be closed from Thursday, 30 June 2022 to Monday, 4 July 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the final dividend, all share transfer documents accompanies by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 29 June 2022.

On behalf of the Board
SU Ertian
Chairman and Chief Executive Officer

Hong Kong, 30 March 2022

CORPORATE GOVERNANCE REPORT

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the FY2021.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Part 2 of Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

In the opinion of the Directors, throughout the period from the Listing Date and up to 31 December 2021, the Company has complied with the code provisions as set out in the CG Code, except for code provision C.2.1 which is explained in the relevant paragraphs of this Corporate Governance Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, they have confirmed that they have complied with the Model Code since the Listing Date and up to 31 December 2021.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises the following Directors:

Executive Directors:

Mr. SU Ertian *(Chairman and Chief Executive Officer)*
Mr. ZHENG Shizhan
Mr. JIN Zengqin
Mr. ZHOU Fangchao *(Joint company secretary)*

Non-executive Directors:

Mr. QIN Min
Mr. HU Yongxiang

Independent non-executive Directors:

Mr. MAK Hing Keung, Thomas
Professor HAN Gaorong
Mr. LEUNG Kwai Wah Alex

The biographical information of the Directors is set forth in the section headed "Biographical Information on Directors and Senior Management" in this annual report. To the best knowledge of the Company, there is no relationship (including financial, business, family or other material/relevant relationship(s)) among the members of the Board.

Board Meetings

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Since the Company was listed on the Main Board of the Stock Exchange on 16 July 2021, only three Board meetings were held during the period from the Listing Date and up to 31 December 2021, which were attended by all members of the Board and no general meeting was held during the said period. The Company expects to convene at least four regular board meetings in each financial year at approximately quarterly intervals in accordance with code provision C.5.1 of the CG Code.

Apart from regular Board meetings, the Chairman also held meetings with independent non-executive Directors without the presence of other Directors during the period from the Listing Date and up to 31 December 2021.

The attendance records of the Directors at the Board meetings held during the period from the Listing Date and up to 31 December 2021 are set forth in the paragraph under "Attendance Records of Directors and Committee Members" below.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. SU Ertian, the chairman of the Board and the chief executive officer of the Company, currently performs these two roles.

Mr. SU has been responsible for formulating overall business development strategies and leading overall operations of the Group and has been instrumental to business growth of the Group. The Board therefore considers that vesting the roles of both chairman and chief executive officer in Mr. SU is beneficial to business development of the Group by ensuring consistent leadership and enabling more effective and efficient overall strategic planning. The senior management team and the Board will provide check-and balance of power and authority.

The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Independent Non-executive Directors

During the period from the Listing Date and up to 31 December 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing one-third of the Board) with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise and the independent non-executive Directors represent at least one-third of the Board

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

All the Directors of the Company are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three of a multiple of three, 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 least once every three years. The Articles also provides that all Directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment. The retiring Directors shall be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

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. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

CORPORATE GOVERNANCE REPORT

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the period from the Listing Date and up to 31 December 2021, the Company organized training sessions for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including compliance manual, legal and regulatory updates, seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors during the period from the Listing Date and up to 31 December 2021 are summarized as follows:

Directors	Type of Training (Note)
Executive Directors	
Mr. SU Ertian	A/B
Mr. ZHENG Shizhan	A/B
Mr. JIN Zengqin	A/B
Mr. ZHOU Fangchao	A/B
Non-executive Directors	
Mr. QIN Min	A/B
Mr. HU Yongxiang	A/B
Independent non-executive Directors	
Mr. MAK Hing Keung, Thomas	A/B
Professor HAN Gaorong	A/B
Mr. LEUNG Kwai Wah Alex	A/B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set forth under "Corporate Information" in this annual report.

Audit Committee

The Audit Committee consists of three Independent Non-executive Directors, namely Mr. MAK Hing Keung, Thomas, Professor HAN Gaorong and Mr. LEUNG Kwai Wah Alex. Mr. MAK Hing Keung, Thomas is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set forth in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held two meetings to review, in respect of the period from the Listing Date and up to 31 December 2021, the interim financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditor and engagement of non-audit services and relevant scope of works and arrangements for employees to raise concerns about possible improprieties.

The attendance records of the Audit Committee are set forth in the paragraph under "Attendance Records of Directors and Committee Members" below.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee consists of three members, namely Mr. LEUNG Kwai Wah Alex, Professor HAN Gaorong and Mr. ZHOU Fangchao. Mr. LEUNG Kwai Wah Alex is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set forth in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

The Remuneration Committee met once during the period from the Listing Date and up to 31 December 2021 to consider the relevant matters regarding the remuneration policy and the remuneration packages of the executive Directors and senior management.

The attendance records of the Remuneration Committee are set forth in the paragraph under "Attendance Records of Directors and Committee Members" below.

Details of the remuneration of the senior management by band are set forth in note 13 to the consolidated financial statements in this annual report.

Nomination Committee

The Nomination Committee consists of three members, namely Mr. SU Ertian, Professor HAN Gaorong and Mr. MAK Hing Keung, Thomas. Mr. SU Ertian is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set forth in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the period from the Listing Date and up to 31 December 2021, the Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors.

The attendance records of the Nomination Committee are set forth in the paragraph under "Attendance Records of Directors and Committee Members" below.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

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

During the period from the Listing Date and up to 31 December 2021, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

Attendance Records of Directors and Committee Members

A summary of the attendance records of the Directors at the Board and Board Committee meetings held during the period from the Listing Date and up to 31 December 2021 is set forth below:

	Attendance/Number of Meetings			
Name of Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee
Mr. SU Ertian	3/3	–	1/1	–
Mr. ZHENG Shizhan	3/3	–	–	–
Mr. JIN Zengqin	3/3	–	–	–
Mr. ZHOU Fangchao	3/3	–	–	1/1
Mr. QIN Min	3/3	–	–	–
Mr. HU Yongxiang	3/3	–	–	–
Mr. MAK Hing Keung, Thomas	3/3	2/2	1/1	–
Professor HAN Gaorong	3/3	2/2	1/1	1/1
Mr. LEUNG Kwai Wah Alex	3/3	2/2	–	1/1

RISK MANAGEMENT AND INTERNAL CONTROL

The Company adopted internal control system and risk management system which are designed and implemented to address the specific business needs and operating environment and to minimize the risk exposure of the Group. The Company have adopted different internal guidelines, along with written policies and procedures, to monitor and reduce the risks which are relevant to the control our daily business operations and the improvement in the corporate governance of the Company. The Group's senior management team is responsible for identifying and analysing the risks associated with business operations, preparing risk mitigation plans and assessing and reporting to the Board their effectiveness.

The Company established an internal audit department (the "**Internal Audit Department**") under the supervision of the Audit Committee. The Internal Audit Department is established to overseeing the daily and effective implementation of internal control measures and reporting to our Audit Committee on any compliance issue and the record of compliance in this respect.

Through the Audit Committee and the internal audit team, the Board has conducted an annual review on the effectiveness of risk management and internal control systems of the Group for the period from the Listing Date and up to 31 December 2021.

Based on the results of the internal control review from the Listing Date and up to 31 December 2021 and the assessment of the Audit Committee thereon, no significant deficiency in risk management and internal controls systems are noted. The Board therefore is satisfied that appropriate and effective risk management and internal control systems have been maintained from the Listing Date and up to 31 December 2021.

ANTI-BRIBERY AND CORRUPTION RISK MANAGEMENT

The Company has implemented appropriate policies and procedures to address any potential bribery and corruption issues. All department heads and managers are required to report to the Internal Audit Department any bribery or corruption incidents. The Company has also established a whistle blower policy for reporting any alleged bribery and corruption. The internal anti-bribery and corruption policies and procedures include the following:

(a) requiring the Company's employees to report any bribery and corruption incident when they became aware of such incident;

(b) prohibiting the Company's employees and other engaged working parties from receiving bribes, either financial benefit or benefit-in-kind such as gift;

(c) performing financial and internal audits by the Internal Audit Department and external audit agency on a regular basis to identity any risk of bribery and corruption;

(d) evaluating the anti-bribery and corruption policies by Internal Audit Department to ensure the effectiveness; and

(e) providing training to the Company's employees on how to identify and report misconduct.

In case the Internal Audit Department has identified a material risk of bribery and corruption, it will initiate investigation with the assistance from one of the Company's executive Directors. The investigation results will be reported to the Board (including independent non-executive Directors). The Internal Audit Department is required to keep all information about and related to the investigation, including the fact that an investigation has been filed, the nature of the complaint and the persons involved, in strict confidence. The Company also requires all new employees to go through anti-bribery training as part of their orientation training programmes.

Any staff who is in breach of the Company's anti-bribery and corruption policy would be dismissed, and the Company may report the matter to the relevant governmental authorities should there be a violation of the applicable laws and regulations.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the FY2021.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set forth in the "Independent Auditor's Report" in this annual report.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The remuneration paid to the Company's external auditor of the Company in respect of audit services and non-audit services for the FY2021 amounted to approximately RMB1,520,000 and RMB1,445,000 respectively. Details of the service fees are set forth below:

Type of services provided by the Auditor	Amount (RMB'000)
Audit services	1,520
Non-audit services*	1,445
Total	2,965

* Non-audit services include services related to acting as reporting accountant for listing purpose, services related to internal control review consulting for listing purpose, review of interim financial information and tax compliance services.

JOINT COMPANY SECRETARIES

Mr. ZHOU Fangchao, an executive Director and a joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board's policies and procedures, as well as the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engaged Mr. NG Cheuk Ming, a manager of Tricor Services Limited (a company secretarial service provider), as another joint company secretary to assist Mr. ZHOU to discharge his duties as company secretary of the Company. Mr. ZHOU is the primary contact person at the Company which would work and communicate with Mr. NG on the Company's corporate governance and secretarial and administrative matters.

For the FY2021, Mr. ZHOU and Mr. NG have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to Article 58 of the Articles, extraordinary general meetings may be convened by the Board whenever it thinks fit. 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; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one 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.

Shareholders' Enquiries and Proposals

Shareholders may send written enquires to the Board of the Company or written requests for putting forward proposals at shareholders' meetings to the Company's principal place of business in Hong Kong at Unit A, 10/F, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong for the attention of the Board of Directors.

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

The Company will not normally deal with verbal or anonymous enquiries.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company is endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

The existing Articles were adopted by a special resolution dated 2 June 2021 with effect from the Listing Date. During the period from the Listing Date to 31 December 2021, no changes were made to the constitutional documents of the Company.

A consolidated version of the Company's memorandum and articles of association is available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD STATEMENT

Dear Stakeholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Global New Material International Holdings Limited (the "**Company**" which together with its subsidiaries, collectively, the "**Group**"), I am pleased to present the first Environmental, Social and Governance Report (the "**ESG Report**") of the Group for the year ended 31 December 2021 (the "**FY2021**") for the purpose of demonstrating the Group's policies, practices, measures and performance on environmental, social and governance ("**ESG**") areas.

The Group is committed to implement various initiatives to address the ESG concerns as all of us, as well as our next generation, could be affected by ESG issues and the sustainability issue. As such, as a Hong Kong listed company, the Board evaluates and determines the Group's ESG-related risks and ensures that appropriate and effective ESG risk management and internal control systems are in place.

The ESG Report demonstrates the Group's continuous commitments to strengthen its performance in sustainability, such as environmental performance and targets, corporate governance, community participation, customers' satisfaction and care to the employees of the Group.

The Board is responsible for the implementation of the ESG initiatives and the monitoring of the effectiveness of the ESG strategies, directions and policies of the Group. The Board believes that an effective corporate governance structure is important in order to achieve a successful integration and effective management of sustainability for the business development of the Group. In order to effectively manage and monitor the performance of the Group in the ESG areas, the Board has identified the ESG-related issues and potential risks and the Board would analyse and review on a regular basis the ESG risks and opportunities, performance, progress, goals and the ESG-targets of the Group.

The Board will also ensure the effectiveness of the Group's ESG risk management and internal control system and actively communicate with internal and external stakeholders and to understand their expectations and requirements. The Board believes that the Group's ESG engagement will be highly beneficial to the areas is beneficial to the long-term development the Group. The Board will continue to review and monitor the Group's ESG performance and provide consistent, comparable and reliable ESG information to the stakeholders on an annual basis.

To build a green and sustainable future, the Group adheres to the principle of the harmonious coexistence with nature. The Group constantly promotes sustainable business operations and development through technological innovations so that the products of the Group, as well as the production process involved, are non-hazardous and safe to our end user customers. As such, the pearlescent pigment products of the Group have the required features and characteristics and satisfy the required product quality standards for different applications by various industries, including but not limited to cosmetics, automotive finishings, coatings, plastics, inks, elegant packaging, textiles, leather and ceramics.

The Group has achieved satisfactory results in its product research and development and the development of new production techniques and technology. The Group has obtained more than 30 patent registrations in the PRC, including the invention of the self-developed synthetic mica production method, such as: a wet synthesis method for preparing $KMg_3(AlSi_3O_{10})F_2$ crystal powder, conductive sericite powder and three dimensional magnetic pearlescent pigments (導電絹雲母粉的製備方法). The Group was awarded the gold and silver award in the Guangxi Invention Creation Exhibition and Trade Fair Project (廣西發明創造成果展覽交易會金獎與銀獎) and was accredited as a "National Intellectual Property Superior Enterprise" (國家知識產權優勢企業) by National Intellectual Property Bureau (國家知識產權局).

The Board believes that the Group's strong research and development capability will enable technological innovation and development involving environmental-friendly production technology and initiatives for the unique pearlescent pigment products.

Finally, I would like to express my gratitude to my fellow Directors, senior management, and all staff of the Group for their contributions to the business development of the Group. Furthermore, I would also like to take this opportunity to thank for the supports from our customers, suppliers, business partners and shareholders of the Company for their continuous support and trust. I believe all members of the Group will continue to dedicate their best endeavours to promote the business growth of the Group and achieve such highest ESG standards as possible.

For and on behalf of the Board

SU Ertian
Chairman and Chief Executive Officer
Global New Material International Holdings Limited

Hong Kong, 30 March 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Reporting Scope

The ESG Report discloses ESG related policies and initiatives for the research and development and production and sales of pearlescent pigment products and synthetic micas in Guangxi Zhuang Autonomous Region, the People's Republic of China ("**PRC**") only. As of 31 December 2021, more than 90% of the total number of the employees of the Group are based in the Group's production facilities and business presence in Guangxi Zhuang Autonomous Region.

The ESG Report covers key performance indicators ("**KPIs**") of the corporate office ("**office**") and the representative project(s) of the Group during the FY2021 ("**project(s)**").

Reporting Basis and Principles

The ESG Report is prepared in accordance with the ESG Reporting Guide (the "**ESG Guide**") as set out in Appendix 27 to the Listing Rules and is based on the four reporting principles - materiality, quantitative, balance and consistency:

- "Materiality" Principle:

  The Group identifies material ESG issues by stakeholder engagement and materiality assessment. Details are set forth in the section headed "Materiality Assessment".

- "Quantitative" Principle:

  Information is presented with quantitative measure, whenever feasible, including information on the standards, methodologies, assumptions used, and provision of comparative data.

- "Balance" Principle:

  The ESG Report identifies the achievements and challenges faced by the Group.

- "Consistency" Principle:

  The ESG Report is the first ESG report of the Group. The ESG Report will continue to use consistent methodologies and environmental performance indicators for comparisons in the following years.

The ESG Report has complied with all "comply or explain" provisions and reported on selected recommended disclosures outlined in the ESG Guide.

The information contained in the ESG Report is derived from internal documents and statistics of the Group, as well as the control, management, and operations information provided by the subsidiaries in accordance with the Group's internal management systems. A complete content index is appended to the last section of this ESG Report for reference. The ESG Report is prepared and published in both Chinese and English at the Stock Exchange's website (www.hkexnews.hk) and the Company's website (http://www.chesir.net/en/). In the event of contradiction or inconsistency between the Chinese version and the English version, the English version shall prevail.

Review and Approval

The Board acknowledges its responsibility for ensuring the accuracy and completeness of the ESG Report and to the best of their knowledge, the ESG Report has addressed all relevant material issues and has fairly presented the ESG performance of the Group for the FY2021. The ESG Report was reviewed and approved by the Board on 30 March 2022. The ESG Report has also been reviewed by the ESG Committee of the Board, and the members of which include Mr. SU Ertian (苏尔田先生), Mr. ZHENG Shizhan (郑世展先生), Mr. ZHOU Fangchao (周方超先生) and Mr. JIN Zengqin (金增勤先生).

Feedback

Should you have any opinion or suggestion on the ESG Report, please feel free to liaise with the Group as follows:

Address: Flat A, 10/F, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong

Telephone: (852) 3797 7882

Email: 1240920012@qq.com

ABOUT THE GROUP

The business of the Group was established on the core belief on the importance of health and the well-being of the human and the mission to improve the quality of life of the general public.

The Group's comprehensive strengths rank among the top in the global pearlescent pigment industry. The Group has received numerous awards, including but without limitation, the "Guangxi Top 100 Private Enterprise In Manufacturing" (廣西民營企業製造業100強), "Guangxi's Most Potential Private Enterprise" (廣西最具潛力民營企業), "Guangxi Gazelle Enterprise" (廣西瞪羚企業), "Guangxi Model Bases Enterprise of Technology and Innovation" (廣西技術創新示範企業), "National Intellectual Property Superior Enterprise" (國家知識產權優勢企業), "Gold Award of Guangxi Invention Creation Exhibition and Trade Fair Project" (廣西發明創造成果展覽交易會項目金獎), and the "Guangxi Famous Brand Product Award" (廣西名牌產品).

The Group is the participating unit of the synthetic mica project, "Strong Foundation Project (強基工程計劃)", organised by the Ministry of Industry and Information Technology in the PRC. The Group has used the core leading technology for the production of pearlescent pigment products and synthetic mica. The technology centre of the Group is staffed with an industry leading research and development team which allows us to be one of the pioneers in the development of pearlescent pigment products. To further strengthen the Group's research and development efforts, the Group has collaborated Peking University, Tsinghua University, Guangxi University, and other universities in the PRC in conducting industry and product research and development. The "Chesir Pearlescent New Material Research and Development Centre" (七色珠光新材料研發中心) has been established with the Hubei University of Technology (湖北工業大學), and "Zhejiang University - Chesir Pearlescent New Materials Joint Research and Development Centre Centre" (浙江大學七色珠光新材料聯合研發中心) has been established with Zhejiang University (浙江大學) for the research and development of new products and new applications, improvement of new production technology and upgrading the production plant and machinery and the related production process. The Group has been named as one of the provincial "Enterprise Technology Centre" (企業技術中心), "Guangxi Model Bases Enterprise of Technology and Innovation" (廣西技術創新示範企業) and the municipal "Pearlescent Material Engineering and Technology Research Centre" (珠光材料工程技術研究中心) in the PRC.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Signing and Unveiling Ceremony of Zhejiang University -
Chesir Pearlescent New Materials Joint Research and Development Centre

The Group is dedicated to explore the nature of colour by technological innovative means. Through continuous exploration and research and development, the Group has developed the pearlescent pigment products based on four main basic materials, including natural mica, synthetic mica, glass flakes, and silicon dioxide.

The Group has developed 13 major product series including but not limited to industrial series, cosmetic series, weather-resistant series, functional series, etc. The Group presents the beauty of colours through technological innovations. For example, the use of pearlescent pigment products is generally recognised better than the traditional primary colour-based pigments. The pearlescent pigment products possess properties such as colourfast, anti-radiation, anti-corrosion and anti-oxidation.

The Group's pearlescent pigment products are non-hazardous to the environment and human while producing excellent visual effects and they have been widely used by different industries, for example, the textile, plastic, furniture, automotive and food and beverage industries. In addition, the Group has developed more than 800 varieties in eight series and three major types of our pearlescent pigment and synthetic mica products, three of which are industrial graded, weather resistant and cosmetic graded products. The Group's products are widely used in automotive coating, cosmetics products, plastics, inks, ceramics, leather, building materials, 3D printing, anti-counterfeiting and are currently used in the aerospace, military and ship building industries. The Group continues to promote the development strategies for the advancement of our technological leadership in the pearlescent pigment industry, and the Group has formed a comprehensive production system and sales and marketing network covering major countries and territories in all over the world.

GOVERNANCE STRUCTURE

The Board is committed to fulfil its ESG responsibility and has the overall responsibility to implement and monitor the effectiveness of the Group's ESG strategies and reporting systems. The Group has established the Corporate Governance System Policy (企業管治制度), Environmental Protection Management System Policy (環境保護管理制度), and the Social Responsibility Management System Policy (社會責任管理制度). The Group has also set up the ESG Committee in May 2021, and Mr. JIN Zengqin was appointed as the chairman of the ESG Committee.

The terms of reference of the ESG Committee include the following:

ESG Committee, established by the Board of Directors	• Oversees the ESG strategies, policies, objectives and targets • Allocates ESG Committee to identify material environmental, social and governance matters through review and assessment of internal operations • Develop and review the Group's ESG responsibilities, vision, strategies, frameworks, principles and policies • Enhance the materiality assessment and reporting process to ensure • Implement and enforce the ESG policy approved by the Board on a continuous basis • Review and approve the company's ESG goals, and regularly review the achievement of ESG goals • Review the ESG megatrend and related risks and opportunities, and assess the adequacy and effectiveness of the Group's ESG-related structure and business model • Adopt and update the Group's ESG policies as necessary and ensure that these policies are current and in compliance with applicable laws, regulations and regulatory requirements and international standards.
Senior Management	• Advises and supports the Board on ESG matters, strategies, policies • Overall management and monitoring of ESG performance and targets
Department Heads and Employees	• Take record and monitor ESG KPIs • Implement ESG policies and related initiatives

The ESG Committee reviews and evaluates the Group's ESG performance on a regular basis and the annual ESG Report will then be examined and approved by the Board.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

Stakeholders' opinions are important to the Group's sustainable development and success. Stakeholder engagement helps the Group business strategies which meet the needs and the expectations of the stakeholders, thereby enhance the potential risks, and strengthens the important relationships. The Group actively communicates with its stakeholders through various channels, as set forth below.

Stakeholders	Communication Channel
Government and regulatory agencies	• Annual reports, interim reports, ESG reports and other public information • Supervision and inspection
Shareholders and investors	• Annual general meetings and other general meetings • Company website • Press releases/announcements • Annual reports, interim reports, ESG reports and other public information
Employees	• Training • Meetings • Performance evaluation • Surveys
Customers	• Fax, email and telephone • Meetings
Suppliers/Subcontractors/ Business Partners	• Meetings • Site visits • Surveys • Trainings
Community or Non-governmental Organisations (NGOs)	• Sponsorships and Donations • ESG reports
Media	• Enquiry mailbox

MATERIALITY ASSESSMENT

In preparing the ESG Report, the Group directly engaged with the following stakeholders as part of the materiality assessment process to identify and prioritise the issues to be included in the ESG Report which the Board believes would have significant impact on the Group's business and its stakeholders.

Process

Stage 1 - Identification

A selection of ESG issues that may reasonably be considered important for the Group and its stakeholders from various sources, including listing rules requirement, industry trends and internal policies. 28 issues were identified and grouped into 4 categories: Environment, Employment and Labour Practices, Operating Practices and Community.

Stage 2 - Prioritisation

Conducted online surveys to rate the importance of each issue from the perspective of a stakeholder and the Group using a scale of 1 to 5.

Developed the materiality matrix based on the scores of the surveys, set the threshold for materiality (i.e. at a score of average) and prioritised a list of sustainability issues.

Stage 3 - Validation

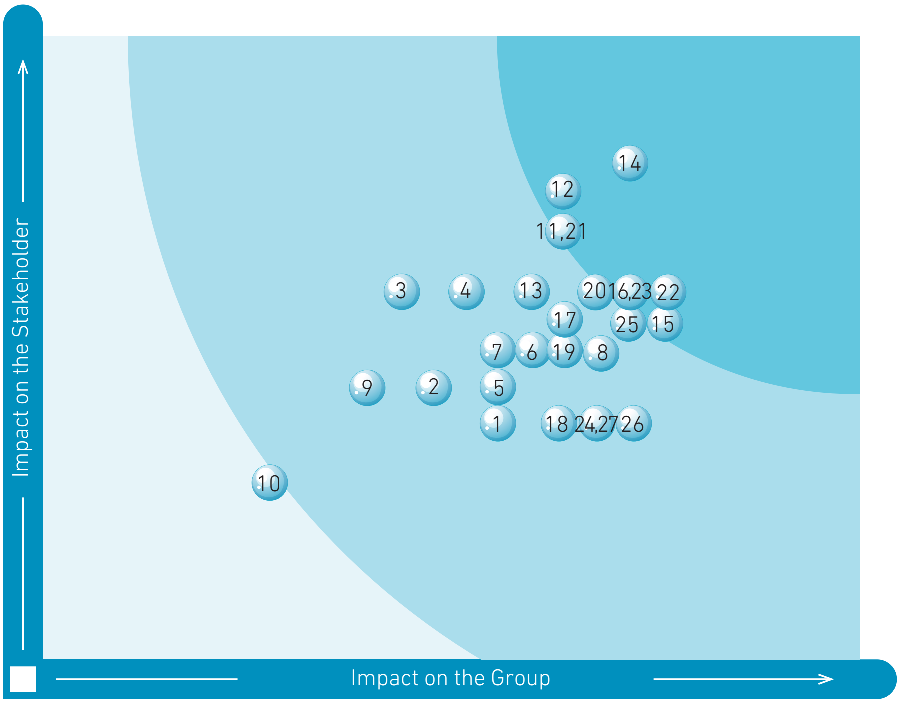
Management reviewed the materiality matrix and the threshold for materiality. ESG issues, with a score of average or above from the perspective of a stakeholder and the Group, were prioritised as the most important sustainability issues for the Group to address and report on.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Matrix

Based on the materiality matrix, the Board believes that the most pertinent sustainability issues which are material to both the Group and its stakeholders include the following:

Materiality Matrix



Staff Development and Training

Employment practices

Diversity and Equal Opportunities

Occupational health and safety

Customer Satisfaction

Child Labour and Forced Labour

Intellectual Property

Safety of Services/ Products

Business Ethics

Customers' Privacy and Confidentiality

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 Air Emissions
2 Greenhouse Gas ("**GHG**") Emissions
3 Effluents Management
4 Waste Management
5 Energy Efficiency
6 Water Efficiency
7 Use of Materials
8 Environmental Compliance
9 Land Use, Pollution and Restoration
10 Climate Change
11 Employment Practices
12 Diversity and Equal Opportunities
13 Anti-discrimination
14 Staff Occupational Health and Safety
15 Staff Development and Training
16 Child Labour and Forced Labour
17 Responsible Supply Chain Management
18 Environmental Friendliness on Products or Services Purchased
19 Compliance with Regulations on Marketing, Product and Service Labelling
20 Customers' Privacy and Confidentiality
21 Customer Satisfaction
22 Intellectual Property
23 Safety of Services/Products
24 Quality of Services/Products
25 Business Ethics
26 Anti-corruption Training for Management and Employees
27 Contributions to the Society
28 Communication and Connection with Local Community

OUR ENVIRONMENT

Sustainability Overview and Management Objectives

The Board believes that the success of the Group is based on the principles of sustainability through providing quality products to the customers, whilst at the same time striving to preserve the surrounding environment and support the communities its social responsibility practices.

The Group has established a set of management policies and adopted various measures on environmental protection and natural resources reservation to help ensure the sustainable development and operation of the business. The Group's environmental management system was accredited with ISO 14001:2015 certification. The Group actively manages its business in an environmentally and socially responsible manner which is consistent with the policies adopted. The following sections present a summary of these policies and their implementation during the FY2021.

Guangxi Chesir Pearl Material Co., Ltd., which is the principal subsidiary of the Group, was accredited as a "Green Factory" (綠色工廠) by the Department of Industry and Information Technology, Guangxi Zhuang Self-Administrative Region (廣西壯族自治區工業和信息化廳) in 2019 for its adoption of effective measures to control the disturbance to the surrounding environment and as a recognition for the green development through technological innovation, so that the products of the Group are non-hazardous and environmental-friendly and are safety and are beneficial to maintain sustainable development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, the Group promotes energy savings and carbon reduction and is committed to achieving sustainable business operations. To this end, the Group has set clear yearly and long-term emission reduction targets; for long-term reduction targets, compared with the 2021 baseline, the Group has to achieve the following targets by 2027 and 2035:

By 2027:

- the replacement ratio of clean energy, such as renewable biomass energy, will increase to over 50% of the company's total energy consumption;
- to further optimize product structure and energy consumption structure, energy consumption of unit product will reduce by more than 20%, to reduce the impacts of greenhouse gas emissions on the climate; and
- the recycling rate of water resources will reach over 30%.

By 2035:

- various fossil energy sources will be fully replaced by clean energy, and the recycling rate of water resources will reach 100%.

GROUP POLICIES RELATING TO ENVIRONMENTAL PROTECTION

As the major production and operations of the Group are based in the PRC, its business operations are subject to the PRC environmental laws and regulations. To comply with the relevant environmental laws and regulations and minimise the impact to the environment, as well as to report on the environmental and social aspects of the Group's business operations, the Group has established the ESG Committee to identify the relevant environmental risks and opportunities and set clear environmental targets. The Group has also developed a series of environmental management programs and policies for the purpose of identifying the key aspects of the Group's operations (the"**Key Aspects**") which may have significant impacts on the environment in light of applicable laws and regulations.

- Pollution Prevention and Control Management System (污染防治管理制度)
- Environmental Protection Management System (環境保護管理制度)
- Waste Emission Reduction Management System (廢棄物減排管理制度)
- Company Greenhouse Gas Emissions Management Guide (公司溫室氣體排放管理規定)
- Greenhouse Gas Emissions Management Policy (溫室氣體排放管理政策)
- Chesir Energy Management System (七色珠光能源管理制度)
- Energy Management Target Indicators (能源管理目標指標)
- Special Contingency Plan for Environmental Emergencies (突發環境事故專項應急預案)
- Contingency Plan for Environmental Pollution Emergencies (突發環境污染事故應急預案)
- Contingency Plan for Environmental Emergencies (突發環境事件應急預案)

As required by the ESG Committee, representatives from each department within the Group will meet regularly to review its key processes and identify possible Key Aspects underlying the operation of the concerning departments. The Group's Safety and Environmental Department (安全環境部) is responsible to establish and manage the Group's Environmental Protection Management Network (環保管理網絡). They will then discuss with the ESG Committee members and senior management regarding any Key Aspects identified, and design appropriate measures aimed at reducing the environmental impacts arising from such Key Aspects. These measures will be documented and the relevant personnel will be provided with suitable training and regular supervision and reporting to the senior management from time to time to ensure effective implementation of the measures. The Safety and Environmental Department is also responsible for educating and providing training to the staff to enhance their knowledge and skills regarding environmental protection.

EMISSIONS AND WASTE GENERATION

Air Emissions

The principal types of emission and waste generated from the Group's business operations are set forth below and the Group considers that the emission and waste would not have any significant adverse impact on the environment.

Emission data of Nitrogen oxides (NO_x), Sulphur oxides (SO_x), and Particulate matter (PM) are set forth in the table below:

Air Pollutant[1]	Unit	2021*
Nitrogen oxides ("NO_x")	kg	**4,082.26^**
Sulphur oxides ("SO_x")	kg	**Insignificant#**
Particulate matter ("PM")	kg	**0.25**

Note:

* This is the first ESG Report of the Group. No previous data can be provided and used for comparison purpose.

^ NOx emission is mainly from the emissions of the vehicles and boiler.

SOx emission is insignificant since LPG is mainly used by the mobile source vehicles of the Group.

The Group will continue to improve our internal data collection mechanism for a complete disclosure in the coming years.

1 Emissions from petrol and diesel mobile consumption are covered, and the estimation is based on "How to prepare an ESG Report? Appendix 2: Reporting Guidance on Environmental KPIs" published by the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Waste Generation

- **Domestic waste: Paper, household wastes, food wastes from the Group's production facility and offices operation business, and other incidental wastes**

The Group's production facilities and business presence, it generate non-hazardous domestic wastes and non-hazardous sludge. The non-hazardous sludge is generated from production processes and general refuse such as paper, plastic bags, and plastic bottles are generated from offices operations. Sludge is generated from wastewater treatment tank sedimentation, and the sludge will be collected by the contractor and will be reused to manufacture bricks. Household wastes from guests and food wastes from the staff canteen are also generated from our production facilities and business presence in Guangxi Zhuang Autonomous Region. The food waste from the staff canteen will be collected and reused, and the leftovers will be used to feed the poultry.

Wastes generated from the Group's production facilities and business presence are as follows:

Wastes	Handling Method	Unit	2021*
Hazardous wastes		tonnes	N/A
	Recycled	tonnes	N/A
	Landfill	tonnes	N/A
Non-hazardous wastes		tonnes	6,917
Domestic wastes	Landfill	tonnes	N/A
Intensity		tonnes per square meter floor area	0.123
Total		tonnes	6,917
Wastewater	Discharged	m^3	674,981

Note: * This is the first ESG Report of the Group. No previous data can be provided and used for comparison purpose.

During the FY2021, the Group was not aware of any significant amount of hazardous wastes generated in our production facility and offices. Looking ahead, the Group will continue to refine its wastes reduction measures and disclose relevant results where appropriate. The Group will perform sample testing regularly to ensure the parameters outlined by the wastewater discharge license are fulfilled before discharged to the municipal wastewater treatment plant for further treatment. We will also seek continuous improvement in waste and wastewater management performance by setting appropriate goals and objectives in the future and conduct further assessment on a regular basis.

The Executive Department of the Group is responsible for the handling and treatment of the office and domestic wastes (including used batteries, toner cartridges, ink cartridges, fluorescent tubes and, general refuse). Domestic wastes discharged by our production facilities and offices in ordinary means are in compliance with the 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》), the requirements of "Pollutant Control Standards for Domestic Waste Landfills" (《生活垃圾填埋場污染物控制標準》) and "Pollutant Control Standard for Domestic Waste Incineration" (《生活垃圾焚燒污染物控制標準》).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group's waste management strategy focuses on legal disposal, reduction, and reuse of wastes. All waste disposals and processing must be carried out by government-certified service providers pursuant to PRC laws and regulations. Recyclable wastes are collected according to classifications and are delivered to a recycling vendor in the Guangxi District where appropriate.

- **Greenhouse gas (GHG) emissions which include carbon dioxide (CO_2), methane (CH_4),and nitrous oxide (N_2O)**

  These greenhouse gases are emitted from the use of electricity and fuels derived from fossil fuels within the production facility in Guangxi, and only part of our production process is required to involve the operation of the boiler within the production facility. Since the catering facility of the Group in Guangxi is currently using Liquefied Natural Gas (LNG) and electricity for cooking purposes, it will not generate significant smokes and fumes. Greenhouse gases are also derived from vehicles of guests who visit our production facility and offices and the delivery of our products to customers. The Group also owns two motor vehicles that are used for transportation of personnel and other business purposes. To minimise the mobile source emission, all two motor vehicles have achieved the national emission standard in "National Phase V" (國五) Liquefied Petroleum Gas (LPG) mini buses. The Group has adopted the use of electrical carts for transportation within the production facility to reduce the direct emission of GHG. Therefore, emissions of GHG from vehicles in Scope 1 are not considered material.

Greenhouse Gas (GHG) Emissions

In response to the community's increasing concern on GHG emissions, climate changes, and other related issues, the Group is committed to implementing and maintaining a high standard of GHG management. The below table sets forth the key statistics relating to GHG emissions[2] of the Group. The GHG emissions[3] are as follows:

	Unit	2021*
Scope 1[4]	tonnes CO_2-equivalent	19.24
Scope 2[5]	tonnes CO_2-equivalent	69,631.53
Total	tonnes CO_2-equivalent	69,650.78
Intensity	tonnes CO_2-equivalent per floor area (m^2)[6]	1.23

Note: * This is the first ESG Report of the Group. No previous data can be provided and used for comparison purpose.

2 GHG emission data is presented in carbon dioxide equivalent and the calculation of GHG emissions during the FY2021 was estimated based on the amount of electricity and fuels consumed and the relevant emission factors.

3 The calculation of greenhouse gas emissions refers to the "General Guideline of the Greenhouse Gas Emissions Accounting Method and Reporting of Other Industrial Enterprises (《工業其他行業企業溫室氣體排放核算方法與報告指南》)"issued by the National Development and Reform Commission and the "Emission Reduction Project of China Regional Grid Baseline Emission Factor (《中國區域電網基準線排放因數》)" issued by the Department of Climate Change, the Ministry of Ecology and Environment of the People's Republic of China.

4 Scope 1: Direct emission from the business operations owned or controlled by the Group, such as emissions from diesel and petroleum burnt on site.

5 Scope 2: The "indirect energy" emissions from the internal purchased electricity consumption by the Group.

6 Only considered the production facilities and the business presence of the Group in Guangxi Zhuang Autonomous Region.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Scope 1 emission from fossil fuel consumption in our operations contributed to around 0.03% only of our total emissions, including diesel and petroleum consumption for our generators and mobile vehicles and the emission from boiler. The Group will continue to assess, record, and disclose its GHG emissions annually and will continue to refine the data collection system and develop reduction strategies if appropriate based on the projection of data in the coming years.

In addition to the direct emissions from the combustion of fuels, the use of electricity from the electricity generation process by the Group is also indirectly attributable to the production of GHG. With reference the kilowatt-hour power generation to carbon dioxide emission ratio respectively published by the PRC government, during the FY2021, approximately 70,000 tonnes of carbon dioxide were attributable to the Group's electricity usage in the operation of the Guangxi production facility and office.

- **Measures undertaken to reduce emissions and wastes**

  To minimise the environmental impacts brought by the mentioned emissions and wastes, the Group has adopted the following measures during the FY2021 to supplement its "Pollution Prevention and Control Management System" (污染防治管理制度), "Environmental Protection Management System" (環境保護管理制度) and other related policies:

  - Setting yearly emission limitation targets for pollutants (such as NOx from boiler emission; water consumption, COD, Ammonium-nitrogen and Total Phosphorus in domestic wastewater discharge; noise nuisance from Equipment; and sludge treatment in "Hazardous and Non-hazardous Waste Emission Reduction Management Systems" (有害及無害廢棄物減排管理制度);

  - Utilising electric vehicles within the production facility in the future as opposed to fossil fuel-powered vehicles to reduce emissions from sources;

  - Developing a better understanding of the Group's suppliers and taking into account their environmental and social responsibility practices in the recruitment process. Please refer to the sub-section headed "Social Responsibility Operational Practices – Supply Chain Management" below for further details.

  - Periodically arranging environmental compliance inspections to ensure the Group's compliance with the applicable PRC environmental laws relating to the Group's operations.

  For policies and measures undertaken by the Group to reduce the use of electricity, please refer to the paragraph headed "Resources consumption — Electricity" below.

ENVIRONMENTAL COMPLIANCE

After the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法》) came into effect on 1 January 2018, the Group is subject to the obligation to pay environmental pollution tax for pollutants directly discharged to the environment, such as air pollutants and water pollutants. During the FY2021, the Group has complied with the following laws and regulations:

- Environmental Protection Law of the PRC (《中華人民共和國環境保護法》);
- Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》);
- Ambient Air Quality Standards of the PRC (《中華人民共和國環境空氣質量標準》);
- Boiler Air Pollutant Emission Standards of the PRC (《中華人民共和國鍋爐大氣污染物排放標準》);
- 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》);
- Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》);
- the Prevention and Control of Noise Pollution Law of the PRC (《中華人民共和國噪聲污染防治法》);
- Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (《城鎮污水處理廠污染物排放標準》);
- Water Law of the PRC (《中華人民共和國水法》);
- Mineral Resources Law of the PRC (《中華人民共和國礦產資源法》); and
- Other relevant environmental laws and regulations in all material respects.

During the FY2021, the Group was not aware of any significant non-compliance issues regarding emission, noise, waste disposal, and sewage discharge. We believe that the emissions, disposed wastes, and discharged sewage during our business operation does not pose material impact to the surrounding environment which is different from local domestic emissions, waste disposals, or sewage discharges. To avoid any occurrences of non-compliance in the future, we will continue to uphold our environmental awareness.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL IMPACTS FROM OUR OPERATIONS AND MITIGATION MEASURES

The generation of air pollutants, GHG, noise emissions and sewage discharge from the operation of our production facilities in Guangxi complies with the requirements under the relevant PRC laws and regulations. In order to minimise the environmental impact of the Group's business operation to the surrounding environment, the Group has established the "Pollution Prevention and Control Management System" (污染防治管理制度) and "Environmental Protection Management System" (環境保護管理制度). The Group has also established yearly emission limitation targets for specific pollutants in "Hazardous and Non-hazardous Waste Emission Reduction Management Systems" (有害及無害廢棄物減排管理制度).

List of Hazardous and Non-hazardous Waste Emission Reduction Management Systems in FY2021 is set forth below:

Types of Pollution Prevention and Control Measures	Pollution source	Pollutants	2021 Targets	Compliance
Air Pollution	*Boiler exhaust gas*	Exhaust gas volume	**4,000 Mm^3/a**	✓
		NOx	**4.4t/a**	✓
Water	*Production and domestic wastewater*	Wastewater Consumption	**729,000m^3/a**	✓
		CODcr	**9.72t/a**	✓
		Ammonium-Nitrogen	**2.43t/a**	✓
		Oil & Grease	**0.65t/a**	✓
		Total Phosphorus	**0.4t/a**	✓
Noise	*Noise level from Equipment*	LAeq	**A**	✓
Solid Waste	*Wastewater Treatment Sludge*		**7,695t/a**	✓

During the FY2021, to the best of the Directors' knowledge, the Group has achieved all yearly emission limitation targets and no complaint has been received from its customers or other parties in respect of environmental protection issues. In addition, the Group has not experienced any material environmental incidents arising from its business operations. During the FY2021, no material administrative sanctions or penalties were imposed upon the Group for the violation of environmental laws or regulations which had an adverse impact on its operations.

Nature Resources

The Group recognises the importance of efficient resources consumption and continuously aims at streamlining its operations to develop an energy-efficient culture. "Chesir Energy Management System" (七色珠光能源管理制度) is established according to the national energy work policies and energy management standards, to save energy, reduce material consumption, eliminate waste, further improve energy utilization efficiency, and utilise resources safely and reasonably while taking into consideration of the actual needs of production and material consumption of the Group. The principal types of resources utilised by the Group in the operation and management of production facility and offices during the FY2021, and the measures undertaken by the Group to promote efficient usage are discussed below:

Water Consumption and Efficiency

Freshwater is an important resource on earth. The Group's office utilised an insignificant amount of water resources as compared to domestic water usage. During the FY2021, the aggregate volume of production water and domestic water consumed within the Group's facility and office amounted to approximately 2,760 thousand tonnes.

	Unit	2021*
Water	Thousand tonnes	2,759.78
Total	Thousand tonnes	2,759.78
Intensity	Thousand tonnes per square meter floor area	0.049

Note: * This is the first ESG Report of the Group. No previous data can be provided and used for comparison purpose.

In order to ensure efficient and sustainable use of water resources, the Group has closely monitored the usage of water resources. The Group has also adopted internal guidelines and provides staff education to promote water conservation, as well as routinely inspects and upkeeps water supply facilities.

Energy Efficiency

Electricity is necessary for the offices' operation and production facilities and is the main source of energy of the Group. The Group has adopted an internal policy during the FY2021 to promote conservative energy uses. Under the policy, the usage of electricity in our production facility is continuously monitored and there are clear guidelines on the operating hours and energy-saving measures in respect of electrical appliances such as office equipment, lighting, and air conditioning facilities in the public area. To monitor the usage of electricity effectively, data on electricity usage is collected and analysed in the monthly meeting in respect of electricity usage.

The Group's energy utilisation data during the FY2021 is as follows::

	Unit	2021*
Direct energy consumption	MWh	64.85
Indirect energy consumption	MWh	113,770.23
Total energy consumption	MWh	113,835.08
Intensity	MWh per square meter floor area	2.02

Note: * This is the first ESG Report of the Group. No previous data can be provided and used for comparison purpose.

Paper and Packaging Materials

The Group's operation does not involve a high level of paper and packaging materials consumption. The Group mainly adopts paper for offices and general use within the Group. Paper waste is the major source of our non-hazardous waste in the offices. During the FY2021, our offices have reduced the paper consumption for printed materials distributed to shareholders due to the Group's adoption of a more cautious approach in estimating the number of printed copies for distribution.

Papers are also consumed in Group's offices for research and development, design, and clerical work. To facilitate efficient paper usage, the Group has established the following measures:

- Introduced and promoted the concept of "Green Factory" and "Green Office" in the Group.
- The Group has also put in place internal guidelines and systems regarding paper conservation. Under these guidelines, the use of paper by different departments of the Group will be accounted for and monitored, and paper-saving measures such as double-sided printing, using smaller sheets for sundry uses, paperless internal correspondences, etc.

During the FY2021, the raw material purchased by the Group is as follows:

	Unit	2021*
Paper consumption	kg	1,577.5

Note: * This is the first ESG Report of the Group. No previous data can be provided and used for comparison purpose.

In order to build a green and sustainable future, the Group is closely adhered to the harmonious coexistence with nature. We continuously promote green development through technological innovation, so that every product is non-hazardous, environmentally friendly, and safe for our end user customers. As such, our pearlescent pigment products are of characteristics for different applications by various industries, including the textile, plastic, furniture, automotive and food and beverage industries.

Investment in Environmental Management

To develop a better and greener environment, the Group has planted 402 trees in our Guangxi facility and nearby Feilu Avenue, Luzhai County, Liuzhou City, Guangxi in these years. The Group has reserved funds for our environmental management on monitoring and testing, cleaning, and sewage treatment.

The Group has also reserved funds for its research and development for non-hazardous and environmentally friendly products. The Group has continued to explore the infinite possibilities of colour, conducted in-depth research on new pearlescent pigment materials, and successfully transformed dozens of pearlescent pigment materials research results into innovative products.

In order to promote the research and development of new energy battery materials, the Group's New Energy Battery Materials Laboratory (新能源電池材料實驗室) was officially launched in October 2021. The laboratory mainly focus on the research of key materials restricting the development of the new energy vehicle industry, such as synthetic mica-based insulation systems and battery separator materials.

On the other hand, during the FY2021, in order to integrate renewable energy into the power grid in the Guangxi production facility area, and to achieve the goal of energy conservation and emission reduction, the Group is now actively preparing a rooftop distributed photovoltaic (DPV) project, which is expected to be officially launched in February 2022, a total capacity of approximately 2.7 MWp DPV will be installed on the rooftop of the Group's Guangxi production facility, which is an area of about 27,000m^2.

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Fruitful results have been achieved in the research and development of our new products, new crafts, new technologies, and new equipment. We have been granted more than 30 industry-leading patents, including the invention of the self-developed synthetic mica production method (導電絹雲母粉的製備方法), such as: a wet synthesis method for preparing $KMG_3(AlSi_3O_{10})F_2$ crystal powder, conductive sericite powder and three dimensional magnetic pearlescent pigments. The Group was awarded "Gold and Silver Award of Guangxi Invention Creation Exhibition and Trade Fair Project" (廣西發明創造成果展金獎和銀獎) and was accredited as a "National Intellectual Property Superior Enterprise" (國家知識產權優勢企業) by National Intellectual Property Bureau (國家知識產權局).

The Group is creating a better place for the world by presenting the beauty of colour and light through technological innovative means, for example, pearlescent paintings are recognised to have more benefits over traditional primary-colour pigments. They possess properties such as colourfast, anti-radiation, anti-corrosion and anti-oxidation. Our pearlescent pigment products are non-hazardous to the environment and human body while producing excellent visual effects and they have been widely used by different industries, including but not limited to cosmetics, automotive finishings, coatings, plastics, inks, elegant packaging, textiles, leather and ceramics. The Company continues to promote development strategies for the achievement of our technological leadership and management leadership in the pearlescent pigment industry and we have formed a more environmentally friendly as well as comprehensive product system and sales and marketing network covering major countries across the globe.

Climate Change

Climate change is one of the biggest global challenges faced by society, and we must act now for our climate and our communities. In recent years, extreme weather, such as strong winds and heavy rainfall, as well as tides and floods, have become the focus around the world. Logistics and supply chains are particularly vulnerable. Heavy rainfall, rising tides and floods can cause serious damage to assets such as buildings, warehouses and goods in storage which results in material financial losses. Although such incidents are beyond everyone's control, the Group believes that all stakeholders should work together to address climate change, which will also be regarded as one of the most significant risks to the world in the next five years.

The COVID-19 pandemic has presented many new challenges in this year, but it has not deterred our commitment to climate action. The pace of change has expedited around the world and it has underscored the importance for the Group to accelerate its transition to a low-carbon economy.

The Group has further enhanced its ESG disclosure in the FY2021. The Group have made reference to the Task Force on Climate-related Financial Disclosure (TCFD) recommendations to provide transparent and credible climate-related information to stakeholders, including investors and capital providers. The Group's business units have also strengthened the analysis on the specific risks and opportunities to the pearlescent pigment industry resulting from climate change.

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The Group understands that climate change may have significant impacts on our operations. To better understand the potential impacts of climate change on our business operation, we have conducted climate scenario analysis for two horizons for 2030 and 2050, under the following pathways:

(1) RCP2.6, SSP1, and IEA Sustainable Development Scenario supplemented by the Net-Zero Emissions by 2050 case

(2) RCP8.5, SSP5, and IEA Stated Policies Scenario

The scenario analysis includes all of the Group's under our operational control. Based on the Group business nature, we have identified the following parameters that are most relevant to our operations.

a) Renewable energy – The proportion of renewable energy used by the Group affects the amount of carbon offset required and GHG emissions.

b) Electric vehicles (EV) – The cost required for replacing existing fleets with EVs and the cost-savings brought by EVs.

c) Sea level rise – Some of our properties may be prone to flooding because of their location and structural design.

d) Extreme weather – The increase in the frequency of extreme weather (e.g. Heavy rainstorm signals and typhoons) may affect the business operations of the Group and the future income.

In the low carbon emission scenario (raise 1.5-2ºC), it is assumed that the carbon prices may reach USD63/tonne and USD140/tonne for advanced economies by 2030 and 2050 respectively. The Group will gradually increase the usage of renewable energy and it is expected that EVs will dominate the global car and light truck market by 2060. In the future, most of the private cars owned by the Group will be shifted to EVs, and the Group has already installed new energy electric vehicle charging piles next to the gate of the facilities and the Group will encourage the employees to use new energy electric vehicles for traveling.

In the high emissions scenario (raise >4ºC), it is assumed that there will be no carbon tax established and no carbon credit is required for the pearlescent pigment industry. The higher average sea level and extreme weather will cause more frequent flooding and the Group has assessed the risk of the flooding in relation to the property portfolio. It is also assumed that the frequency of extreme weather will significantly increase.

The Group essentially plans to respond to local government initiatives and follows local governments' emission reduction requirements. The Group aims to reduce emissions by around 3% by 2026 and ensure the Group's GHG emissions will comply with the local requirements on or before 2030. The Group's target is to achieve carbon neutrality by 2060 in the PRC. The Group is committed to continuously improving energy efficiency, applying professional knowledge to improve on-site efficiency, and maintaining efficient management support.

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As our society and economy advance, energy transition has become a global trend nowadays. As a renewable energy, solar energy is clean, pollution free, emission free and inexhaustible. Therefore, the Group is now actively preparing a rooftop distributed photovoltaic (DPV) project, which is expected to be officially launched in February 2022. In order to integrate renewable energy into the power grid in the Guangxi production facility area, and to achieve the goal of energy conservation and emission reduction, a total capacity of approximately 2.7 MWp DPV will be installed on the rooftop of the Group's Guangxi production facility, which is an area about 27,000m^2. At the same time, the installed DPV can effectively protect the facilities from the sun and rain, which can prolong the service life of the roof and reduce the usage and maintenance costs of the production facilities. The photovoltaic power generation period is synchronized with the peak period of electricity consumption, which can help play a certain role in peak shaving, and relieve the power supply pressure of production facilities effectively to ensure normal operation during short supply of electricity. Since the DPV elements can absorb solar radiation, it can effectively reduce the indoor temperature by 3-5 °C, thereby improving the working environment of the production facilities and reducing the energy use and cost of cooling during summer period. The Group's DPV project can effectively utilize the solar energy, reduce environmental pollution, improve the ecological environment, promote the sustainable development of the environment and economy. At the same time, it can help the Group become more environmental-friendly, efficient and sustainable, which will also bring benefits to the society and the Group.

Rooftop distributed photovoltaic (DPV) project

Over the years, the Group has been grasping different opportunities to expand our business, accelerate the transformation and make the Group a more environmentally friendly, and safer place for employees and users (such as automation, and utilizing digital platforms for online conferences to reduce carbon footprint in transportation during the COVID-19 pandemic). These measures have made the production facilities and offices of the Group becoming more sustainable and thereby fulfilling the commitment to resource management and environmental protection.

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Action on climate change

Action on responding to climate change is embedded in the Group's business strategy and is reflected in the governance and management processes of the Company. The index table below outlines the core elements of the Group's response to the TCFD recommendations in this ESG Report.

Core element	The Group's response
Governance	• Setting up ESG Committee and carrying out regular meeting • Integrating ESG topics (including climate-related issues) in corporate decision making
Strategy	• Understanding climate risks through scenario analysis • Identifying risks and opportunities in the low-carbon transition
Risk Management	• Risk Management Committee to discuss ESG risks • Preparing for the transition to a low-carbon economic • Implementing measures to eliminate physical climate risks
Metrics and Targets	• Investing in transition enablers • Creating value in the low-carbon transition

When developing these scenarios, the Group has identified a series of climate-related risks and opportunities relevant to the assets and services which are significant to the Group's business operation. These transition and physical risks are discussed in the sections below.

	Risks	Opportunities
Short-term (0 – 1 year)	• Physical risks from extreme weather events • Securing the skills and capability required to implement climate strategy	• New services to help communities decarbonize • Technologies to enhance the performance of operation and energy efficiency
Medium-term (5 years)	• Transition risks - Implementation of low-carbon policies for the operation • Transition risks - Supply and demand for certain commodities, products, and services may change as climate-related risks and opportunities are increasingly taken into account	• Transitioning to low carbon economy market to meet government decarbonisation targets • Opportunities arising from transition enablers

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	Risks	Opportunities
Medium to long-term (5+ years)	• Transition risks - Potential new regulations and policies • Transition risks - Development and use of emerging technologies may increase the operational costs, and reduce the Groups' competitiveness • Transition risks – the Group's reputation may be impacted due to changing customer or community perceptions of said the Group's contribution to or detraction from the transition to a lower-carbon economy	• Transitioning to low carbon economy market to meet government decarbonisation targets • Opportunities arising from transition enablers • To work as a pioneer in the industry and build up the relevant reputations

Physical climate risks can potentially damage the Group's assets or directly interrupt the production of pearlescent pigment products. As such, the Group has set up a range of measures in place to enhance its resistance against physical climate risks, including but without limitation, the "Contingency plans and Preparation Instructions for Environmental Emergencies" (突發環境事件應急預案及編製說明) and "Contingency plans for natural disaster incidents" (自然災害事故專項應急預案) for extreme weather or emergency.

Transition risks can potentially increase the Group's operational cost and legal risks due to the change of policy, technological development, digitalization and the Group's reputation due to public perceptions. The Group has already identified the relevant risks and will keep monitoring the market and policy updates regularly. The Group has also planned to invest according to the market needs and take this as an opportunity for long-term development.

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Over the years, a series of measures have been adopted to put in place along the Group value chain to help the Company prepare for extreme climate events. These measures are deployed for the different geographies, taking into consideration the type of assets and the location. These are summarised in the table below:

Relevant part of the value chain	Relevant measures
Supply chain	Diversify material and food supply from multiple suppliers, sources, and countries.
Operation	Monitor and inspect assets regularly - Maintain a Contingency Plan for all facilities To address extreme heat and increased temperature: - Maintain cooling equipment in good conditions - Refurbish cooling towers to improve efficiency in the long term To address the risk of water shortage and drought: - To maintain water tank(s) in facilities if possible - Purchase drinking water with sufficient storage To address flooding risks: - Build protection walls for facilities and run-off water storage - Deploy anti-flooding measures suitable for the assets, including drainage systems, flood gates, and flood barriers, if necessary - Put in place additional coverage with tarps, grass planting, and drainage works to avoid soil erosion - For assets that are downstream of dams, continuous control and monitor river rate flow, and maintain regular communication with the local authority on its flood discharge schedule and flowrate
Retails	Through engagement events, inform customers of the initiatives already undertaken to increase system resilience
Services	- Establish an extreme weather response protocol and coordinating system and conduct regular drills and post-extreme weather incident reviews to ensure smooth execution of contingency plans - Utilise the emergency restoration system, enabling rapid construction of temporary masts that can shorten the restoration of power supply - Enhance the communication capacity of customer services, particularly post-incident customer communication

Path to 2060

The Group is prepared to address the threats climate change poses both to its business and to the communities that it serves. The Group has laid out a transparent trajectory of the performance against the trajectory required to meet a science-based target. The Group is determined to deliver and provide safe, reliable, and affordable pearlescent pigment products for its customers and the Group is fully aware the importance of the environmental responsibility. The Group is ready to raise the targets, wherever possible, to strengthen the environmental protection measures at least every five years.

OUR PEOPLE

Group Policies Relating to Corporate Social Responsibility Practices

Employees are the foundation of the Group's success and development. We consider human resources as the most important asset and the Group is committed to ensuring the health, safety, and general welfare of its employees at work. In addition, the Group provides various job-related seminars, workshops, and training courses for the employees' continuous professional development. The Group has also adopted a number of social responsibility practices for supporting the community and upholding the Group's business integrity.

Policies

The Human Resources Department is established for the management of employment policies in the Group. The "Employees' Handbook" (員工手冊) and "Human Resources System" (人力資源制度) provide the terms, guidelines, and arrangements on remuneration, dismissal, recruitment, promotion, working hours, rest periods, leaves, labour health and safety, insurance benefits, labour discipline, diversity, equal opportunities, anti-discrimination, other benefits and welfare to the employees of the Group.

Employment Management

Recruitment and Dismissal

Recruitment is required in the event of staff replacements, identification of new positions, or an increase in workload or responsibilities within different departments of the Group.

Recruitment is tailored to different classes of positions to be filled and will be directed to appropriate applicants in order to attract ample candidates. Publicity of recruitment will be carried out through appropriate media for a sufficient period to assure open opportunity for application and consideration.

The dismissal or voluntary termination of employees' contracts shall be enforced by the employment laws and regulations in Hong Kong and the PRC. Either party may terminate the employment by giving a written notification or payment in lieu of notice to the other party as specified in the employment contract according to the requirements of Labour Legislation. During the work transfer and resignation procedures, the parties have the responsibility and obligation to hand over the equipment, files, and materials belonging to the Group under their management to the relevant departments and responsible persons. In order to ensure a smooth transition, the relevant staff is required to complete a "Job Handover Checklist" (工作移交清單). The Group will conduct an exit interview with all monthly paid departing employees prior to their departure for receiving opinion and feedback to the Group.

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Promotion

The Group recognises promotion as the shift of an employee from one position to another that requires a higher degree of knowledge, skill, or responsibility and is assigned a higher pay range. We adopt an open-door communication policy and carry out an annual review every half-year with the employees on their performance during the FY2021, during which process each employee is given equal opportunity for promotion. The Group's employees are provided with a clear career path with opportunities for additional responsibilities and promotions.

The Group has standard policies and procedures for promotion as set forth in the "Employee's Handbook" (員工手冊). The Group has a regular promotion plan every half-year. After the half-year or full-year appraisals, the Group will evaluate the work performance of its employees. The Group also implements a universal job promotion plan based on the evaluation results of the employees' work performance and job vacancies. In order to retain talents for sustainable development, employees with outstanding performance will be promoted at any time if the position becomes vacant under special considerations.

Equal Opportunity, Diversity, and Anti-discrimination

The Group has set up "Human Resources Diversity Policy" (人力資源多元化政策) and"Anti-discrimination Policy" (反歧視政策) in order to promote equality in the working environment for all employees so that they are treated equally in every aspect of their jobs and work under a discrimination-free working atmosphere. We strictly prohibit discrimination against potential candidates in the recruitment process on the account of their race, colour, religion, sex and gender identity, sexual orientation, age, marital and parental status, and/or pregnancy or medical conditions. All employees are encouraged to report any incidents of discrimination to the Human Resources Department and all cases will be thoroughly investigated and treated with confidentiality.

The Group recognises and embraces the benefits of having a diversified Board and workforce to enhance the quality of its performance. We established the "Human Resources Diversity Policy" (人力資源多元化政策) and believe that the different backgrounds and abilities of the Directors could enhance diversity and achieve effective leadership with multi-perspective ideas during the business decision-making process. The selection of candidates has been considered taking a number of factors into consideration, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

The Group's vision on equality applies to all aspects in employment and is set forth in the "Employees' Handbook" (員工手冊) and "Human Resources System" (人力資源制度), including but not limited to recruitment, promotion, transfer, job assignment, rewards and benefits, training and development and suspension.

Employment Profile

Workforce As at 31/12/2021[7]	2021 No. of Staff
By Gender	
Male	354 (70.4%)
Female	149 (29.6%)
By Age Group	
Below 30	156 (31.0%)
30 – 50	341 (67.8%)
Over 50	6 (1.2%)
By Employment Type	
Full time	503
Part time	0
By Management Level	
Senior Management	7 (1.4%)
Middle Management	28 (5.6%)
General Staff	468 (93.0%)
By Geographical Region	
Mainland China	501 (99.6%)
Hong Kong, China	2 (0.4%)
Total	503

Note: This is the first ESG Report of the Group. No previous data can be provided and used for comparison purpose.

The Group strictly abides by the following laws and regulations, including but not limited to:

- Employment Ordinance (Cap. 57)
- Employees' Compensation Ordinance (Cap. 282)
- Mandatory Provident Fund Schemes Ordinance (Cap. 485)
- Labour Law of the PRC (《中華人民共和國勞動法》)
- Labour Contract Law of the PRC (《中華人民共和國勞動合同法》)
- Minimum Wage Ordinance (Cap. 608)
- Sex Discrimination Ordinance (Cap. 480)
- Race Discrimination Ordinance (Cap. 602)

7 Only considered the production facilities and the business presence of the Group in Guangxi Zhuang Autonomous Region.

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To the best of the Directors' knowledge and belief, the Group is generally in compliance with the local labour law regarding compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, vacation, minimum wage requirements during the FY2021. In addition, the Group has not received any complaints or notifications on contravention of any of the above employment practices.

Employee Retention

Remuneration and Compensation

The Group offers competitive compensation in order to retain talents. The remuneration package of each employee is determined with reference to a number of factors including educational background, job duties, professional skills, technical capabilities and experience, as well as salary level for similar job positions in the pearlescent pigment industry. The Group has also adopted a share option scheme pursuant to which employees of the Group are, based on management's evaluation of their individual performance, eligible to be granted share options as incentives.

To attract and retain talents, the Group also offers a variety of benefits, including free shuttle buses, bonuses, "Social Security and Housing Provident Fund" (社保及住房公積金) in the PRC, statutory pension scheme contributions for the benefit of employees by the relevant legal requirements in Hong Kong and the PRC, including the mandatory provident fund contributions in Hong Kong and social insurance payments in the PRC, injury compensation and insurance and overtime allowance.

Rest Period and Working Hours

The Group provides reasonable working hours and rest periods to employees. The resting time of the Group's employees is well respected and the employees are also entitled to paid holidays under statutory requirements or otherwise under their respective employment contracts such as annual leave, sick leave, work injury leave, maternity leave and compensation leave.

Employee Turnover

During the FY2021, the Group has an overall turnover rate of 19.6%. The detailed turnover numbers and percentage are set forth below:

Turnover	2021 No. of Staff	2021 Turnover rate (%)
By Gender		
Male	69	19.5%
Female	29	19.7%
By Age Group		
Below 30	10	6.4%
30 – 50	85	25.1%
Over 50	3	50%
By Management Level		
Senior Management	0	0.0%
Middle Management	2	7.7%
General Staff	96	20.5%
By Geographical Region		
Mainland China	98	19.6%
Hong Kong, China	0	0.0%
Overall	98	19.6%

Note: This is the first ESG Report of the Group. No previous data can be provided and used for comparison purpose.

Employee Activities

During the FY2021, the Group has organised a variety of activities to motivate and to enhance the overall morale of its employees. The Group also organised company events such as calligraphy competition, badminton competition, table tennis competition, tug of war competition, Chinese chess competition and Sports Days. to allow the staff members to gather outside of work for bonding and team-building. As 2021 marks the tenth anniversary of the Group, a commendation ceremony and a banquet was held for celebration and recognizing our outstanding employees.

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Sports Day

Calligraphy competition


Table tennis competition


Tug of war competition

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Badminton competition


Chinese chess competition

10th Year Anniversary Ceremony

10th Year Anniversary Ceremony

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Health and Safety

Health care of the employees is of primary importance to the Group, and the Group is committed to provide a safe working environment to its employees. To maintain a safe working environment and minimise potential workplace injuries, the Group has established internal policies on safety management whereby different team is assigned different safety compliance responsibilities. We have zero-tolerance for employees who commit physical assault, threatening behaviour, unwelcome photo-taking and harassment in the workplace. The Group has been accredited with the ISO 9001:2015, ISO 14001: 2015, and ISO 45001:2018 certificates. In the FY2021, the Group has been awarded as one of the "Healthy Enterprise of Liuzhou"(柳州市健康企業), one of the "National Health Promotion Enterprise" (全國健康促進企業) by "Guangxi Luzhai National Health Promotion County Work Leading Group Office" (廣西鹿寨全國健康促進縣工作領導小組辦公室) and one of the"2021 Occupational Health Management Grade A Enterprise in Luzhai County" (鹿寨縣2021職業健康管理狀況A級企業) by "The Health Bureau of Luzhai County" (鹿寨縣衛生健康局).

National Health Promotion Enterprise

Policies

To protect the health and safety of the staff and the customers, the Group has implemented a series of policies for requirements and the handling procedures for specific situations:

- Safety production target management system (安全生產目標管理制度)
- Position occupational hygiene operating procedures (崗位職業衛生操作規程)
- Construction project occupational health "three simultaneous" management system (建設專案職業衛生"三同時"管理制度)
- Workers occupational health monitoring and filing management system (勞動者職業健康監護及其檔案管理制度)
- Maintenance and overhaul system for occupational diseases protection facilities (職業病防護設施維護檢修制度)
- Protective equipment management system for occupational diseases (職業病防護用品管理制度)
- Prevention publicity, education, and training system for occupational diseases (職業病防治宣傳教育培訓制度)
- Responsibility, hazard prevention, and control System for occupational diseases (職業病危害防治責任制度)
- Monitoring and evaluation management system for occupational diseases hazard (職業病危害監測及評價管理制度)
- Warning and notification system for occupational diseases hazard (職業病危害警示與告知制度)
- Accident handling and reporting system for occupational diseases hazard (職業病危害事故處置與報告制度)
- Hazard project declaration system for occupational diseases (職業病危害專案申報制度)
- Emergency rescue and management system for occupational disease hazards (職業病危害應急救援與管理制度)
- Occupational health inspection and reward and punishment system (職業衛生檢查與獎懲制度)

Occupational Measures

The below sets forth a few examples of the practices adopted by the Group in accordance with the applicable local laws and regulations in relation to workplace safety:

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Our Attempt

- Ensuring the Group maintain the requirements of ISO 9001:2015 (Quality management), ISO 14001: 2015 (Environmental Management), and ISO 45001:2018 (Occupational health and safety);
- Ensuring the Group sites maintain accident insurance for the workers;
- To monitor safety measures throughout the construction process who will submit inspection reports to the Group regularly;
- Employing certified contractors for regular inspection of fire safety equipment in Guangxi production facility and office premises;
- Providing health checks to staff members as appropriate prior to commencement of employment;
- Providing safety equipment such as fire extinguishers at the workplace;
- Installing surveillance cameras at the main entrances, reception halls and front desks of various sections of the production facility and offices;
- Employing security guards guarding at various entrances and carrying out 24-hour patrol;
- Prohibiting smoking at the workplace;
- Providing safety training to staff members and practising from time-to-time emergency responses in the case of fire or other hazards;
- Regular cleaning of the water supply filters and daily garbage removal; and
- Provide precautionary measures and equipment (such as disinfectant and mask) to protect the staff from the COVID-19 pandemic.

1. Fire Drills

   Fire drill shall be conducted regularly. After each drill, meeting comprising of all responsible parties shall be held to review every aspect.

2. Emergency Preparedness

   "Contingency plans and Preparation Instructions for Environmental Emergencies" (突發環境事件應急預案及編製説明) and "Contingency plans for natural disaster incidents"(自然災害事故專項應急預案) are established response to emergency issues such as floods, infectious disease, earthquakes and heat stress.

Safety Performance

The Group is committed to providing all necessary resources for effective implementation and continuous improvement to minimise and eliminate potential accidents at the workplace. The Group's offices and production facilities are subject to certain safety and health requirements pursuant to the requirements of ISO 45001:2018 (Occupational health and safety) and the laws in Hong Kong and the PRC, including but not limited to,

- The Labour Law of the PRC (《中華人民共和國勞動法》);
- The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》);
- Occupational Disease Prevention Law of the People's Republic of China (《中華人民共和國職業病防治法》);
- Production Safety Law of the PRC (《中華人民共和國安全生產法》);
- Classification and Catalogue of Occupational Diseases (《職業病分類和目錄》);
- Measures for Declaration of Occupational Disease Hazard Projects (《職業病危害專案申報辦法》);
- Regulations on the Reporting, Investigation and Handling of Production Safety Accidents (《生產安全事故報告和調查處理條例》); and
- The Occupational Safety and Health Ordinance (Cap. 509) of Hong Kong.

During the FY2021 and the previous two years, the Group was not aware of any accidents, fatalities, and lost days due to material workplace injuries. The Group will continue to uphold the awareness of workplace safety, review the safety measures and provide guidelines to the Group's employees to ensure continuous improvements and avoidance of workplace accidents. In addition, to the best of the Directors' knowledge and belief, the Group is generally in compliance with local labour laws and regulations regarding occupational health and safety during the FY2021.

Staff Education and Development

Employees are the Group's valuable assets. Considering its employees to be indispensable to the Group's business achievements, in addition to the above safety-related training, the Group also provides both internal and external training programs to its employees regularly with a view to upholding the Group's brand image and enhancing their work quality and personal development.

The Group has established a series of policies for staff training and development:

(1) Internal Trainer Management Measures(內訓師管理辦法)

To establish the Company's internal trainer team, realize the formalisation and scientific management of internal lecturers so that it can effectively provide guidance on the employees to improve their work and performance, inherit the Company's relevant technology and corporate culture and facilitate knowledge sharing.

(2) Employee Training Credit System Management Measures(員工培訓學分制管理辦法)

The credit system management method is implemented to establish an effective learning incentive mechanism, encourage and assist the employees to master the knowledge and skills required for work, further improve their comprehensive quality, thereby enhancing their professional ability and effectively improving training efficiency.

(3) Staff Training Management System (員工培訓管理制度)

The Staff Training Management System is implemented to standardize and promote the Company's training continuously and systematically. Through the accumulation, dissemination, application, and innovation of knowledge, experience, and ability, the professional skills, and knowledge of employees are improved to meet the needs of the Company's business development.

(4) New Employee Training and Assessment Management Measures (新員工培訓及考核管理辦法)

The measure is specially implemented in order to standardize the Company's new employee training management, to familiarise the new employees with and adapt to the Group's culture, system and code of conduct as soon as possible. The Group supports the new employees to familiarise with the working environment, master their relevant work methods and skills, and clarify work norms and requirements. The Group also introduces a mentorship program whereby senior staff members will supervise new employees and provide on-board training and orientation to them to facilitate smooth integration into the Group's operation process.

Career Development

The Group has formulated labour contract to be entered into with each employee in accordance with the applicable labour laws. The Group also offers remuneration package to the employees including salary, bonus and other benefits and allowances such as the "Social Security and Housing Provident Fund" (社保及住房公積金) and birthday party.

The performance of the Group's employees will be reviewed annually for promotion appraisals, salary review and determination of annual bonus. The Group believes that the current appraisal systems provides an effective communication platform between the employees and the managerial staff of the Group to evaluate the individual performance and to identify employees with outstanding performance.

Rewards and Discipline

To encourage the staff to improve work performance with less mistakes, the Group has established a rewards and punishment system and has formulated all the relevant conditions in the "Employees' Handbook" (員工手冊). There are three types of reward for the recognition of employees with good performance:

- Award (嘉獎) - The application for "rewards" is nominated by the person in charge of the department (completing the reward and punishment processing form), submitted to the human resources department for investigation and confirmation, and then reported to the human resources director for approval;
- Small merit (小功) - The application is nominated by the person in charge of the department (completing the reward and punishment processing form), submitted to the human resources department for investigation and confirmation, and then reported to the general manager for approval.; and
- Great merit (大功) - The application shall be nominated by the head of the department (completing the reward and punishment processing form), and if it is submitted to the human resources department for investigation and confirmation, it will be submitted to each department for collegial consideration, and finally reported to the general manager for approval.

Discipline for employees with misconduct is divided into (i) warning, (ii) minor demerit, (iii) major demerit, and (iv) dismissal (termination of labour contract). Employees will be immediately dismissed if they have committed serious misconduct, such as serious dereliction of duty or malpractice for personal gain, causing major damage to the interests of the company, staff who are investigated for criminal responsibility according to law, corruption and bribery, etc..

Learning and Development

To keep the employees abreast of new knowledge and skills, the Group also provides training programmes, such as workshops and seminars on health and safety at workplace. The Directors believe that the provision of opportunities to continuing education and advanced training can both increase the competency of the staff and improve their loyalty and work efficiency and increase the awareness of work safety. The Group has produced various guidelines for (i) internal trainer management (內訓師管理辦法), (ii) employee training credit system management (員工培訓學分制管理辦法), (iii) employee training management system (員工培訓管理制度), and (iv) new employee training and assessment management (新員工培訓及考核管理辦法).

For the new employees to be more familiar with the culture and work practices, all new employees of the Group will have to go through a probation period before the commencement of the formal employment. Upon expiry of the probation period, the relevant supervisors will decide if the new employee can be employed on a permanent basis taking into consideration his or her work attitude, work quality and whether the skill sets are suitable for the position. In addition to the on-job training, the Group also organises induction trainings for new employees according to their job categories, including factory-level safety training to provide occupational safety knowledge, occupational health knowledge, environmental management system knowledge and promote environmental protection awareness. In order to improve the management efficiency, the Group has also provided training to the senior management staff on a wide range of topics, which include (i) national safety measures, policies and regulations; (ii) safety management and production; (iii) risk management and precautionary measures; (iv) occupational risk and measures; (v) advanced safety management case studies; contingency plan and case studies, etc..

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the FY2021, a total of 501 out of 458 employees* in Mainland China who have received training and have been offered 1145 training hours in total. The details are as follows:

Percentage of Employee Receiving Training[8]	2021
By Gender	
Male	**94.4%**
Female	**84.4%**
By Employment Category	
Senior Management	**7 (100%)**
Middle Management	**26 (100%)**
General Staff	**425 (90.8%)**
Overall	**458 (91.4%)**

Note: This is the first ESG Report of the Group. No previous data can be provided and used for comparison purpose.

Average Training Hours[9]	2021 Hours per Employee
By Gender	
Male	**2.36**
Female	**2.11**
By Employment Category	
Senior Management	**2.5**
Middle Management	**2.5**
General Staff	**2.27**
Overall	**2.29**

Note: This is the first ESG Report of the Group. No previous data can be provided and used for comparison purpose.

Note:

* Included the number of turnover staff since they also attended training during the FY2021

8 Percentage of trained employee = Total number of employees received training during the Reporting Period/Total number of employees

9 Average training hours = Total training hours during the Reporting Period/Total number of employees

Prohibition of Child and Forced Labour

The Group is determined to be a responsible employer and in this connection, the Group has implemented good employment practice and promoted the ethical and human rights at the workplace. The Group only hires lawful employees and will not hire any child labour. During the recruitment process, candidates must submit photocopies of their identity cards and subsequently present originals for verification purposes.

The Group has in place an internal policy and "Employees' Handbook" (員工手冊) which prohibits any form of child labour and set out the process of resignation and dismissal of employees in order to safeguard the Group's and employees' rights and eliminate the possibilities of forced labour. The Human Resources department will review the employment practice regularly to prevent the possibility of child and forced labour. If any child or forced labour cases have been discovered, the child labours will be dismissed from work immediately. The Group will strictly follow the local labour laws and regulations to handle such cases.

The Group complies the laws and regulations in all material aspects of employment and strictly abides (i) the Labour Law of the PRC (《中華人民共和國勞動法》), (ii) the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), (iii) Special protection regulations for juvenile workers of the PRC (《中華人民共和國未成年工特殊保護規定》), (iv) the Employment of Children Regulations of Hong Kong, and (v) the Employment Ordinance of Hong Kong. During the FY2021, the Group was not aware of any significant non-compliance case relating to child labour and forced labour.

OUR SUPPLY CHAIN

Supply Chain Management

The Group is committed to building lasting and constructive relationships with partners in its supply chain. To maintain and ensure the quality of the Group's services, the Group's Supply Chain Management Policy specifies the objective to achieve a fair, transparent and competitive procurement process, which requires all employees to observe the highest standards of business integrity and to comply with relevant laws and regulations.

The Group has organised an investigation team, to identify all environmental and social risk factors related to daily production and operation process, warehouse and transportation in the supply chain, and analyse the risk value of each factor according to the "Supply Chain Management System" (供應鏈管理制度). The supply chain centre and safety and environmental protection centre are responsible for the risk identification and control of internal warehouses. Risk identification and control of external suppliers and service suppliers are investigated annually by the expert group organized by the supply chain centre. The supply chain management centre worked with the quality management centre, manufacturing centre, technology centre, financial management centre, and other departments to review and report to the general manager for approval.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Supplier Engagement

The Group adheres great importance to the collaboration with suppliers and believes deeply that the establishment of a cooperation relationship with suppliers would enhance the Group's workflow and product quality. The Group conducts comprehensive evaluations of suppliers regularly. In addition to reviewing factors such as brand and product quality, suppliers' environmental and social responsibility performance is one of the primary considerations in establishing strategic relationships. In considering building partnership, the Group will prioritise companies holding ISO14001 environmental management system certification. The Group conducts regular on-site inspections to check and review the performance of suppliers.

The Group has established a set of standard procedures for the selection of new suppliers or service providers. The procurement department of the Group will conduct qualification assessments and the criteria include: (A) whether there is environmental pollution risk in the production and service process, the ability of environmental protection management, and if there is any relevant qualification certificate; (B) whether the products or services provided have social risks, such as whether they are monopolistic; (C) whether more environmentally friendly products and services are used in the production process; and (D) production and supply capability. Suppliers or service providers that meet the requirements will fill in the "Supplier Sample Testing Application Form" (供方樣品檢驗申請表) and send their samples to the quality management centre. Once the potential supplier or service provider got qualified, the procurement department will fill in the "Supplier's Product Trial Application Form" (供方產品試用申請表) and submit it to the quality management centre, manufacturing management centre, and technology centre for joint approval, and the product will have 3-month probation period. After the probation period, the procurement department together with the manufacturing management centre, technology centre, quality management centre, and financial centre will re-evaluate the supplier and will add them into the "List of Qualified Suppliers" (合格供方名單). The suppliers in the "List of Qualified Suppliers" will be also reviewed and updated in due course.

Supplier Profile

The Group has a total of 34 suppliers, with 5 newly approved suppliers during the FY2021. 13 of the suppliers are located in India and 21 of the suppliers of the Group are located in the PRC.

Supplier Control and Monitoring

In order to achieve better project performance, the Group reviews on an annual basis the quality of suppliers based on factors such as (i) sufficiency of the plant; (ii) sufficiency of manpower; (iii) progress; (iv) workmanship; (v) response to instructions; (vi) financial status; (vii) environmental and social performance and (viii) planning and management. Comments and remarks are given if any improper practices and unsatisfied performance is observed for further improvement.

The procurement department is responsible for liaising with suppliers and manufacturers and conducting on-site inspections regularly. The inspection scope includes manufacturing status, quality control, key procedure control, operation status of manufacturing and testing equipment, environmental governance, social risk governance, usage of environmentally friendly products and services, labour quality, etc. The inspectors keep records in accordance with the above criteria, and they will be used as an important basis for evaluating qualified suppliers.

At the beginning of each year, the procurement department together with the quality management centre, production planning centre, technology centre, financial management centre, and other relevant departments will evaluate the performance of qualified suppliers. The Group will assess the products or quality management system of the suppliers when necessary, suggest assessment opinions, and complete the "Supplier Assessment Record Form" (供方評審紀錄表).

The procurement department of the Group is responsible for formulating "Performance Profile of Qualified Suppliers" (合格供方業績檔案), which is to regularly count and record the unqualified raw and auxiliary materials found in the daily incoming inspection. The inspector will provide a written warning to those suppliers with poor performance and require them to submit written guarantees and plans for improvement. For those who have been warned but without obvious improvement, the procurement management centre will issue a notice of disqualification, and after reporting to the management representative for approval, the supplier will be notified to stop supplying and remove them from the "List of Qualified Suppliers" (合格供方名單).

Suppliers or service providers who are disqualified within a year will not be reconsidered. They will need to re-evaluate according to the above-mentioned procedures if they wish to re-join over a year.

Our Customer

Product and Services Quality

Product Responsibility

As the market is rapidly changing and the demand is increasing, the Group will continue to focus on the development on high quality products, innovations and to pay attention to the customers' requirements. The Group is persistent in improving the operation systems. The Group appreciates honesty, puts the customers' requirements as our top priority, acts in a proactive and responsible manner to maintain a mutually beneficial relationship with the customers. The Group strives to attain a deep understanding of the customers' requirements and try our very best to meet their needs and even exceed their expectations. While collaborating with the customers and the business partners, the Group can grow and make progress together.

According to the "Process Control Procedure for Customer-Related Requirements" (與顧客有關要求的過程控制程式), the Sales Department of the Group receives all the drawings, data, samples, and other specific materials from the customer and send them to the Technical Department of the Group. The technical department will then be responsible for reviewing and collecting relevant laws and regulations (including the requirements and regulations issued by government agencies on product safety inspection), product standards/specifications, and customer-specified product safety requirements. The product safety requirements are also applicable to the procurement department, and pass on to relevant suppliers. When purchasing materials from a supplier, the procurement department should verify the purchasing data concerning product/process safety in accordance with the "Procurement Control Procedure" (採購控制程式), and clearly stated the products provided by the supplier and related safety items in the purchasing contract, technical quality agreement, and material acceptance specification. The Group proactively promotes the use of environmental-friendly products.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Safety and Quality Management

As a responsible new material manufacturing enterprise, the Group has accredited with the ISO 9001:2015, ISO 14001: 2015, and ISO 45001:2018 certificates and strictly monitor the quality and safety in the use of the products of the Group.

The Group is committed to comply with the local laws and regulations on product safety and protecting consumers' health in the use of the Group's products. Following the requirements of ISO 9001:2015, ISO 14001: 2015, and ISO 45001:2018, the Group implements stringent internal codes and procedures for quality checks during the manufacturing process of pearlescent pigment products. Any non-conformity products must be handled properly with procedures such as proper labelling and recording.

The Group manages and standardises the quality inspection of raw materials, semi-finished products, and finished products involved in various outputs and delivery links in manufacturing plants in accordance with the "Product Safety Management Manual" (產品安全性管理程式) to ensure that the quality is strictly monitored before being transported to the next production process. Once the product is found to be unqualified in safety, it will be isolated by the quality department and handled in accordance with the "Unqualified Product Control Procedure" (不合格品控制程式). If the product has been shipped, the sales department will notify the customers and immediately recall the defective product.

The Group strictly abides by national and local laws and regulations, including but not limited to the Product Quality Law of the PRC (中國產品質量法), Production Safety Law of the People's Republic of China (中國安全生產法) and other relevant European Union standards. During the FY2021, there was no official record of any material non-compliance or violation of relevant laws and regulations regarding product and service quality.

Product Return Policy

The Group maintains the usual high quality for its products and services, meanwhile, the Group has arranged for the return and compensation of products with quality issues in accordance with the terms written in the sales contracts. For any customers who are affected by quality issues, the Group will adopt the standard, including product return, recall or provide compensation of products, in a consistent manner.

When the Group has received any complaint from customers, it will handle it according to the "Customer complaint handling procedure" (客訴問題處理常式). Firstly, the staff may be required to complete the "Quality Improvement Countermeasures Report" (品質改善對策報告書) and submit it to the quality engineer for conducting a preliminary analysis on the complaints. Then the responsible departments are identified, and a discussion group will be set up to analyse the reasons and provide the improvement measures. The quality engineer will then issue a rectification notice to the responsible departments, and the relevant departments will notify the quality department once the improvement measures are implemented. The quality engineer is responsible for the subsequent verification. If there remains any outstanding issue or problem, the discussion group will work together again. Otherwise, the result will be recorded in the "Quality Improvement Countermeasures Report" (品質改善對策報告書), scanned and passed to the salesman to reply to the customer.

During the FY2021, there was no official record of complaint about product or service, and there were no sold or shipped products that were subject to recalls for safety and health reasons.

Product Advertising/Labelling

To ensure that the company's products and services advertising information is accurate and avoid misleading consumers, the Group strictly abides by the related laws and regulations, including but not limited to Law of the PRC on the Protection of Consumer Rights and Interests (中國消費者合法權益保護法), Advertising Law of the PRC (中國廣告法), Measures for Penalties against Infringement upon Consumers' Rights (欺詐消費者行為處罰辦法) and Interests and Anti-Unfair Competition Law of the PRC (中國反不正當競爭法).

The Group understands the customers' rights and is committed to providing accurate product and service information for customers in connection with their purchase or consumption decision. The Group has established the "Product identification, traceability control procedures" (產品標識、追溯控制程式) and the "Product and Service Advertisement Review Management System" (產品和服務廣告審查管理制度). The Group requires the employees to carefully review the advertising materials for the purpose of making sure that there is no incorrect or misleading information in the advertisements published by the Group. The Group is committed to providing sufficient and accurate information and product label to customers, and considers that it is an extended responsibility of product safety management.

Intellectual Property Protection, and Data Protection and Privacy

The Group has been awarded as a "National Intellectual Property Superior Enterprise" (國家知識產權優勢企業) by National Intellectual Property Bureau (國家知識產權局) since 2017. As a company that owned more than 30 patents and awarded in numbers of Invention and Creation Fair in these years, the Group has implemented the required procedures to protect intellectual property and data and privacy.

The Group strictly abides by national and local laws and regulations, including but not limited to the Patent *Law of the PRC, Copyright Law of the PRC, Trademark Law of the PRC,* and other laws and regulations. In order to protect the information of customers and the Group (including information related to intellectual property rights), the Group has formulated its own "Information System Management Measures" (資訊系統管理辦法) for the Group to ensure that offices and sites equipment such as laptops are properly kept. All the documents and electronic materials of the Group, including materials for training, are not allowed to circulate outside without authorization. All business information, financial information, personnel information, bidding information, contract documents, customer information, research and statistical information, technical documents, planning and marketing plans, management documents, meeting content, that have not been publicly disclosed are all considered corporate secrets.

The Group's employees are responsible for their confidentiality. All rights and interests obtained by employees who are on duty, such as commercial and technical information, inventions, and research results belong to the Group and are not allowed to copy, imitate, reprint, extract, or distribute without any written authorization. The Group is committed to protecting the customers' data and privacy. Unless the customer's consent is obtained, the collected customer information will not be used for promotional purposes.

During the FY2021, there was no material non-compliance or violation in intellectual property, product quality and safety, advertising, labelling, and privacy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BUSINESS ETHICS

Anti-corruption

The Group is committed to conducting its business with honesty and integrity and applying the highest standards on the establishment of transparent and open corporate governance frameworks. The Group would not accept any unethical acts.

The Group's policy of "Anti-bribery, anti-corruption, anti-fraud and whistleblowing management system" (《公司反賄賂反腐敗反舞弊與舉報管理制度》) is aimed to ensure that the Group is free of corruption and uphold integrity throughout its businesses. The policy covers staff orientation and the Employees' Handbook (員工手冊). A whistleblowing system is established for staff and other relevant parties to report misconduct cases. Every reported case will be handled in confidentiality and followed through in accordance with related policies and procedures.

This system is specifically established in order to strengthen corporate governance and internal control, prevent fraud, standardize anti-fraud work behaviour, and safeguard the legitimate rights and interests of the company and shareholders, in accordance with the "Basic Norms and Supporting Guidelines for Enterprise Internal Control" (《企業內部控制基本規範及配套指引》), the "Employees' Handbook" (員工手冊), and relevant laws and regulations and other relevant documents, associating with the actual situation of the company. The purpose of anti-bribery, anti-corruption, and anti-fraud work is to regulate the professional behaviour of all employees of the company, especially directors, supervisors, middle and senior managers, and employees in key positions, establish a clean, diligent and dedicated work style, and abide by relevant laws and regulations, professional ethics and the company's internal management system to prevent the occurrence of behaviours that damage the interests of the company and shareholders. This system applies to the Group.

The Group strictly adheres to the laws and regulations relating to business honesty, bribery and money launderings in Hong Kong, such as Prevention of Bribery Ordinance in Hong Kong, the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》) and the PRC Criminal Law (《中華人民共和國刑法》). Employees of the Group are also required to strictly comply with the above laws and regulations, such requirement is a term that under the Group's standard employment contract that legal non-compliance will constitute a ground of termination of employment.

To uphold the Group's business ethics, regular internal training and updates on anti-corruption will be provided to the directors and selected employees of the Group.

The Group also expects its suppliers and business partners to abide by the relevant local anti-corruption laws. The Group provides anti-corruption training for the Directors, senior management and general staff regularly. The Group has completed annual anti-corruption training for the Directors and selected senior management of the Group by September 2021. During the FY2021, the Group was not aware of any warning, notice complaint or notification from governmental authorities on non-compliance cases such as bid-rigging and corruption litigation in this regard.

OUR SOCIETY

Community Investment

The Group believes that community support is important to the Group's long-term success and strives to engage the community to understand their needs surrounding us. The Group is committed to contributing to programmes that support healthy, resilient, and sustainable community development over the short and long term. The Group is committed to making contributions to society and support of initiatives that benefit the communities in pursuit of a better tomorrow. The Group has been developing in recent years but has not forgotten social responsibility to contribute to society. To improve a better environment of the community, the Group has planted 402 trees in its production facilities in Guangxi in recent years.

Our Contribution

Through an established and comprehensive feedback system, the public and the customers of the Group are able to communicate with the Group in numerous ways including hotlines and online communications. The Group has specifically assigned personnel to follow up on each case and has taken appropriate action in accordance with established policies and procedures.

In these years, the Group has sponsored and donated to disable athletic games and education institutes in Guangxi, Hubei, and Henan. The Group also offers financial supports to registered charitable organisations and encourages employees in volunteering to help the underprivileged and deserving members in its community.

In 2021, the staff of the Group has contributed as a hematopoietic stem cell donation volunteer, and he has become the first hematopoietic stem cell donator in Liuzhou in 21st century. The Group has encouraged this volunteer activities and to support by making arrangements on the hospitalisation, so that the staff can successfully complete the donation.

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During the FY2021, the Group's donation amounted to approximately RMB$305,000 in total, including charity donation for "heavy rainstorm disaster in Henan Province" (河南省特大暴雨災害愛心捐贈); "2021 Guangxi Plastics Industry Association membership meeting sponsorship" (2021年廣西塑膠行業協會會員大會贊助); and donate to "Su Buqing Targeted Talents Training Fund" (蘇步青定向人才培養基金捐贈).

Donated RMB 20,000 to
"Charity One Day Donation" (慈善一日捐)

Donated RMB 100,000 to
"Rescue Henan" (馳援河南)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
A. Environmental		
Aspect A1 Emissions		
General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Our Environment – Environmental Compliance
KPI A1.1	The types of emissions and respective emissions data.	Our Environment - Air Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment - Greenhouse Gas (GHG) Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment – Air Emissions
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment – Air Emissions
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Our Environment – Sustainability Overview and Management Objectives
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Our Environment – Air Emissions

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
A. Environmental		
Aspect A2 Uses of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Our Environment – Environmental Compliance
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Our Environment - Environmental Impacts from our Operations and Mitigation Measures – Energy Efficiency
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Our Environment - Environmental Impacts from our Operations and Mitigation Measures – Water Consumption and Efficiency
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Our Environment - Environmental Impacts from our Operations and Mitigation Measures – Energy Efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Our Environment - Environmental Impacts from our Operations and Mitigation Measures – Water Consumption and Efficiency
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Our Environment - Environmental Impacts from our Operations and Mitigation Measures – Paper and Packaging Materials

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
A. Environmental		
Aspect A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources	Our Environment – Environmental Compliance
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Our Environment - Environmental Impacts from our Operations and Mitigation Measures
Aspect A4 Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Our Environment – Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Our Environment – Climate Change
B. Social		
Employment and Labour Practices		
Aspect B1 Employment		
General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our People – Policies, Employment Management, Employee Retention
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Our People - Employment Management
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Our People - Employee Retention

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
B. Social		
Aspect B2 Health and Safety		
General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Our People – Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Our People – Health and Safety
KPI B2.2	Lost days due to work injury.	Our People – Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Our People – Health and Safety
Aspect B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our People – Staff Education and Development
KPI B3.1	The percentage of employees trained by gender and employee category.	Our People – Staff Education and Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Our People – Staff Education and Development

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
B. Social		
Aspect B4 Labour Standards		
General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Our People – Prohibition of Child and Forced Labour
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Our People – Prohibition of Child and Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Our People – Prohibition of Child and Forced Labour
Operating Practices		
Aspect B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Our Supply Chain – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Our Supply Chain – Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Our Supply Chain – Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Our Supply Chain – Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Our Supply Chain – Supply Chain Management

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
B. Social		
Aspect B6 Product Responsibility		
General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Our Customer – Product and Service Quality
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not relevant to the Group's business
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Our Customer – Product and Service Quality
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Our Customer – Intellectual Property Protection, Data Protection and Privacy
KPI B6.4	Description of quality assurance process and recall procedures.	Our Customer – Product and Service Quality
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Our Customer – Intellectual Property Protection and Data Protection and Privacy

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
B. Social		
Aspect A7 Anti-corruption		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Business Ethics
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Business Ethics
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Business Ethics
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Business Ethics
Community		
Aspect B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Our Society - Community Investment and Our Contribution
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Our Society - Community Investment and Our Contribution
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Our Society - Community Investment and Our Contribution

Note 1: All general disclosures and KPIs under "Subject Area A. Environmental" are "comply or explain" provisions while others are recommended disclosures set out in the ESG Guide.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

The following sets forth updated biographical information on the Directors and members of the senior management team of the Group:

EXECUTIVE DIRECTORS

Mr. SU Ertian, aged 56, is our founder, our executive Director, Chairman, Chief Executive Officer and one of the controlling shareholders (the "**Controlling Shareholders**"). Mr. SU is also the general manager of Chesir Pearl. Mr. SU has been the Chairman of Chesir Pearl since its establishment on 29 March 2011. Mr. SU was appointed as a Director on 8 June 2018 and was redesignated as an executive Director on 22 December 2020. Mr. SU is primarily responsible for determining our business strategies and overseeing the implementation thereof. Prior to establishing Chesir Pearl, Mr. SU was working in a number of mining and trading companies in the PRC.

Mr. SU was the Chairman of the 3rd Liuzhou Wenzhou Chamber of Commerce (第三屆柳州市溫州商會), Honorary Chairman of the 4th Liuzhou Wenzhou Chamber of Commerce (第四屆柳州市溫州商會), a representative of the 13th and 14th People's Congress of Liuzhou City (柳州市第十三、第十四屆人民代表大會), the vice chairman of the 13th and 14th Commerce of Liuzhou Federation of Industry and Commerce (第十三、第十四屆柳州市工商業聯合會) and a committee member of the 12th General Chamber of Commerce of the Guangxi Zhuang's Autonomous Region Federation of Industry and Commerce (第十二屆廣西壯族自治區工商業聯合會總商會).

Mr. SU obtained an Executive Master of Business Administration (EMBA) degree from Guangxi University (廣西大學), the PRC in December 2012 by way of part-time studies. Mr. SU was an adjunct professor at Hubei University of Technology (湖北工業大學), the PRC during September 2017 to September 2020.

Mr. ZHENG Shizhan, aged 56, is our founder and our executive Director and one of the Controlling Shareholders. Mr. ZHENG has been the Vice Chairman and a director of Chesir Pearl since March 2011. Mr. ZHENG was the general manager of Chesir Pearl during the period from March 2011 to August 2017. Mr. ZHENG is currently responsible for supervising and coordinating the social and the investors' relationships of our Group. Prior to establishing Chesir Pearl, Mr. ZHENG was working in retail and trading businesses of glasses in the PRC.

Mr. ZHENG was the vice chairman of the 3rd Liuzhou Wenzhou Chamber of Commerce (第三屆柳州市溫州商會) and a member of the 11th Chinese People's Political Consultative Conference National Committee of Liuzhou City (柳州市第十一屆政協委員).

Mr. ZHENG obtained a bachelor's degree in computer information management from Guilin Institute of Electronic Technology (桂林電子工業學院) (currently known as Guilin University of Electronic Technology (桂林電子科技大學)), the PRC in December 2000 and an Executive Master of Business Administration (EMBA) degree from Guangxi University (廣西大學), the PRC in June 2018 by way of part-time studies.

Mr. JIN Zengqin, aged 53, is our executive Director and one of the Controlling Shareholders. Mr. JIN is also the Deputy General Manager of Chesir Pearl. Mr. JIN has been the executive director of Chesir Pearl as well as its Deputy General Manager since May 2011. Mr. JIN is primarily responsible for overseeing sales operations and the implementation of our business strategies and initiatives. Prior to joining our Group, Mr. JIN was working in a plastic manufacturing enterprise in the PRC for more than 15 years with his last position as the general manager.

Mr. JIN is a member of the 9th Chinese People's Political Consultative Conference National Committee of Luzhai County (鹿寨縣第九屆政協委員) and the vice chairman of Luzhai County Federation of Industry and Commerce (鹿寨縣工商業聯合會).

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Mr. JIN obtained a bachelor's degree in economics from Hangzhou Institute of Commerce (杭州商學院), the PRC in July 1991, a bachelor's degree in business management from Guangxi University (廣西大學) the PRC in June 1996, a bachelor's degree in arts and design from Wuchang Institute of Technology (武昌理工學院), the PRC in December 2013 by way of part-time studies and an Executive Master of Business Administration (EMBA) degree from Guangxi University (廣西大學), the PRC in June 2020 by way of part-time studies.

Mr. ZHOU Fangchao, aged 39, is our executive Director and joint company secretary of our Company. Mr. ZHOU is also the Deputy General Manager of Chesir Pearl and the secretary to the board of directors of Chesir Pearl. Mr. ZHOU joined our Group in April 2014 as an assistant to the chairman of the board of directors of Chesir Pearl and was promoted to the position of the Deputy General Manager in April 2015. Since September 2018, Mr. ZHOU took on an additional role as the secretary to the board of directors of Chesir Pearl. In October 2020, Mr. ZHOU was appointed as a director of Chesir Pearl.

Prior to joining our Group, Mr. ZHOU worked as an engineer at SAIC-GM-Wuling Automobile (上汽通用五菱汽車股份有限公司), a sino-foreign joint venture in the PRC jointly established by Shanghai Automotive Group Co., Ltd., General Motors Corporation of the United States and Guangxi Automobile Group Co., Ltd. (formerly Liuzhou Wuling Automobile Co., Ltd.), during July 2005 to December 2007. Mr. ZHOU then started his own business from July 2008 to February 2010. From March 2010 to March 2013, Mr. ZHOU previously worked as a project director of an information technology company in Guangxi Province.

Mr. ZHOU obtained a bachelor's degree in material forming and control engineering from Nanchang Institute of Aviation Industry (南昌航空工業大學) (currently known as Nanchang Aviation University (南昌航空大學)), the PRC in July 2005.

NON-EXECUTIVE DIRECTORS

Mr. QIN Min, aged 52, is our non-executive Director. Mr. QIN has been a director of Chesir Pearl since December 2015. Mr. QIN is primarily responsible for formulating the overall implementation of business strategies of Chesir Pearl.

Mr. QIN graduated from Tianjin Institute of Commerce (天津商學院) (currently known as Tianjin University of Commerce (天津商業大學)), the PRC with a bachelor's degree in accounting in July 1993. Mr. QIN subsequently obtained a master's degree in finance from Guangxi University (廣西大學), the PRC in October 2004. Mr. QIN was qualified as an accountant in the PRC in May 1997.

Since April 2014, Mr. QIN has been a director and the chairman of the board of Guangxi Guidong Electric Power Co., Ltd. (廣西桂東電力股份有限公司), which is a company listed on the Shanghai Stock Exchange (stock code: 600310), and one of our Pre-IPO Investors. In addition, since December 2014, Mr. QIN has also been a non-independent director of Sealand Securities Co., Ltd. (國海證券股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000750).

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Mr. HU Yongxiang, aged 55, is a non-executive Director. Mr. HU has also been a director of Chesir Pearl since October 2020. Mr. HU is primarily responsible for formulating the overall implementation business plan of Chesir Pearl.

Mr. HU graduated from Tongji University (同濟大學), the PRC with a master's degree in business administration in November 1998. Mr. HU has over 20 years of experience in venture capital. Mr. HU is a currently a general manager of Zhejiang Venture Capital Group Co., Ltd. and is experienced in successful listing of companies in the new materials industry, including Western Metal Materials Co., Ltd. (西部金屬材料股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002149) and Rutai Materials Tech Co., Ltd. (瑞泰科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002066). Mr. HU was an assessor and entrepreneurial instructor for the new materials finals of the China Innovation and Entrepreneurship Competition (中國創新創業大賽新材料總決賽) from 2017 to 2019. Mr. HU is currently the vice president of Zhejiang Venture Capital Association (浙江省創業投資協會).

Mr. HU has been a director of Zhejiang Qinglian Food Co., Ltd (浙江青蓮食品股份有限公司), a company listed and quoted for trading on NEEQ on 17 March 2016 and was subsequently delisted on 21 July 2017, due to the reason of changes in strategic development planning since 28 June 2018.

Since February 2016, Mr. HU has been appointed as a director of China Building Material Test & Certification Group Co., Ltd. (中國建材檢驗認證集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603060). Since September 2017, Mr. HU has also been appointed as the chairman of the supervisory board of Hangzhou Huaguang Welding New Material Co., Ltd. (杭州華光焊接新材料股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688379).

Mr. HU has served as a supervisor of Dongyang Qingyu Media Co., Ltd., (東陽青雨傳媒股份有限公司), a company listed and quoted for trading on NEEQ (stock code: 832698) since March 2018. Furthermore, Mr. HU has been a director of Hangzhou On Honest Tech. Corp., Ltd. (杭州安鴻科技股份有限公司), a company listed and quoted for trading on NEEQ (stock code: 837693), since January 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. MAK Hing Keung, Thomas, aged 59, is an independent non-executive Director. Mr. MAK has over 30 years of experience in accounting and financial management. In May 1989, Mr. MAK obtained a bachelor's degree of commerce from Queen's University, Canada. Mr. MAK is currently a member of the Canadian Institute of Chartered Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr. MAK currently is the Principal of the CFO Centre (Hong Kong). He was the chief financial officer of Ke Chuan Holding Co. Limited from February 2021 to January 2022. He was the chief financial officer of M800 Limited from April 2020 to January 2021 and Fortunet E-Commerce Group Limited (currently known as Changyou Alliance Group Limited), a company listed on the Stock Exchange (stock code: 01039) since January 2017 to January 2020. Mr. MAK currently is an independent non-executive director of China PengFei Group Limited (stock code: 03348) and Tao Heung Holdings Limited (stock code: 00573), both of which are listed on the Stock Exchange.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Professor HAN Gaorong, aged 59, is an independent non-executive Director. Professor HAN will provide independent advice and opinion on our strategy, performance, resources and financial operations. Professor HAN is currently a distinguished professor of Zhejiang University (浙江大學), the PRC.

Professor HAN is mainly engaged in the research on inorganic functional nano-materials and new energy-saving coated glass. Professor HAN has authored various articles covering topics of the preparation, structure, performance and application of nano-semiconductor thin film materials. Professor HAN had participated in teaching and research projects established by the National Natural Science Foundation of China (國家自然科學基金委員會), China Innovation Funding (國家重點研發計畫) and National Key Technology Research and Development Program of the Ministry of Science and Technology of China (國家科技支撐計畫). Professor HAN was awarded the second prize of National Science and Technology Progress Award (國家科技進步二等獎) in 2008 and first prize of Zhejiang Province Science and Technology Progress Award (浙江省科技進步一等獎) in 2004 and 2013, respectively. In 2004, Professor HAN was also awarded special government allowances of the State Council (國務院政府特殊津貼).

Professor HAN obtained a bachelor's degree and a doctoral degree in material science and engineering from Zhejiang University (浙江大學), the PRC, in July 1983 and December 1989, respectively. During April 1988 to July 1989, Professor HAN participated in overseas doctoral training at Tokyo Institute of Technology, Japan.

Mr. LEUNG Kwai Wah Alex, aged 69, is an independent non-executive Director. Mr. LEUNG has over 30 years of experience in banking and finance. Mr. LEUNG is a fellow member of Governance Institute of Australia, The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators), Hong Kong Institute of Directors and Hong Kong Securities and Investment Institute. Mr. LEUNG is also a full member of Hong Kong Treasury Markets Association.

Mr. LEUNG was working in various multinational banks. From March 1982 to May 1986, Mr. LEUNG worked in the Hong Kong branch of Manufacturers Hanover Trust Company with his last position as a manager. From June 1986 to July 1988, Mr. LEUNG was working as an assistant vice president in the Hong Kong branch of National Westminster Bank USA. Mr. LEUNG was a product manager at the headquarters of Canadian Imperial Bank of Commerce during March 1992 to January 1995 and as a relationship manager in Credit Suisse, Hong Kong branch, from September 2006 to January 2008. Mr. LEUNG has been an independent non-executive director of New City Development Group Limited, a company listed on the Stock Exchange, since June 2016 (stock code: 00456).

Mr. LEUNG obtained a diploma in business management from Hong Kong Baptist College (currently known as Hong Kong Baptist University) in 1979 and a Master of Business Administration degree from Illinois State University, USA in 1981.

SENIOR MANAGEMENT

Mr. DONG Wenta, aged 55, joined Chesir Pearl in January 2013 as a financial manager and was promoted as the Chief Financial Officer of Chesir Pearl in April 2016. In February 2018, Mr. DONG was further promoted as the Deputy General Manager of Chesir Pearl and was appointed as the Deputy General Manager of Chesir Pearl in February 2018. Mr. DONG is responsible for monitoring the corporate finance matters of our Group.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Mr. DONG has over 35 years of experience in accounting and financial management. Mr. DONG is a certified public accountant and an international registered internal auditor in the PRC. From August 1985 to July 2005, Mr. DONG worked for the local government of Zhejiang Province for 20 years with his last position as the financial manager of Pingyang Salt Management Bureau (浙江省平陽縣鹽務局). From August 2005 till joining our Group in January 2013, Mr. DONG served as a member of the senior management in companies across various industries including coal-mining, investments and financial services in the PRC.

In December 1994, Mr. DONG obtained professional certificate in business management from Hangzhou University of Commerce (杭州商學院) (currently known as Zhejiang Gongshang University (浙江工商大學)), the PRC. Mr. DONG did not hold any directorship in any listed companies during the last three years.

Professor FU Jiansheng, aged 67, joined Chesir Pearl in May 2015 as Chief Engineer after his retirement as a professor from Hubei University of Technology (湖北工業大學). Professor FU is responsible for the supervision of the research and development and production activities of our Group. Professor FU was a professor of Hubei University of Technology (湖北工業大學) from 2010 to April 2015.

Professor FU has substantial experience in research and development of pearlescent pigment materials and is the inventor of 18 registered patents in the PRC and one registered patent in Japan.

Professor FU obtained a bachelor's degree in chemical engineering from Hubei Institute of Light Industry (湖北輕工業學院) (currently known as Hubei University of Technology (湖北工業大學)), the PRC in July 1982. Professor FU did not hold any directorship in any listed companies during the last three years.

Mr. WU Haihua, aged 34, joined Chesir Pearl in February 2018 as Chief Financial Officer. Mr. WU is responsible for monitoring the financial matters of our Group.

From August 2009 to March 2011, Mr. WU was a financial accountant in a coal-mining company in the PRC. From March 2011 to March 2013, Mr. WU served as a project manager of a financial consulting firm in the PRC. During March 2013 to July 2015, Mr. WU worked as a financial manager in China Greenfresh Group Co., Ltd., a company listed on the Stock Exchange (stock code: 6183). During July 2015 to December 2017, Mr. WU served as an assistant to the chairman of the board as well as a deputy finance director of China Futex Holdings Limited, a company listed on GEM (stock code: 8506).

Mr. WU obtained a bachelor's degree in financial accounting from Minjiang University (閩江學院), the PRC in June 2009. Mr. WU did not hold any directorship in any listed companies during the last three years.

INDEPENDENT AUDITOR'S REPORT

RSM

RSM Hong Kong

29th Floor, Lee Garden Two, 28 Yun Ping Road
Causeway Bay, Hong Kong

T +852 2598 5123
F +852 2598 7230

www.rsmhk.com

羅申美會計師事務所

香港銅鑼灣恩平道二十八號
利園二期二十九字樓

電話 +852 2598 5123
傳真 +852 2598 7230

www.rsmhk.com

TO THE SHAREHOLDERS OF
GLOBAL NEW MATERIAL INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Global New Material International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 108 to 171, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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") 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"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables Refer to note 21 to the consolidated financial statements. As at 31 December 2021, the Group had gross trade receivables of approximately RMB245,660,000 and allowance for doubtful debts of approximately RMB7,681,000. In general, the credit terms granted by the Group to customers ranged between 90 days to 180 days. Management performed periodic assessments of the recoverability of trade receivables and the sufficiency of allowance for doubtful debts based on information including credit profile of different customers, ageing of the trade debtors, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. We focused on this area because the impairment assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates.	Our procedures in relation to management's impairment assessment of trade receivables included: – Assessing whether trade debtors had been appropriately grouped by management based on their shared credit risk characteristics; – Assessing the external valuer's qualifications, experience and expertise and considering their objectivity and independence; – Testing the accuracy and completeness of the data used by external valuer to develop the historical loss rates and assessing the sufficiency, reliability and relevance of that data; – Testing, on a sample basis, the accuracy of the ageing of trade receivables to supporting documents; – With the assistance of our internal valuation experts, testing the calculation of the historical loss rate and evaluating the reasonableness of the forward-looking adjustments made to reflect current and forecast future economic conditions; and – Testing the calculation of expected credit loss provisions applying the provision rates to the age categories of the trade receivables outstanding at the reporting date.

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all of 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.

RESPONSIBILITIES OF 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 IFRSs 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 Audit Committee assists the directors 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. We report our opinion 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 HKSAs 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

As part of an audit in accordance with HKSAs, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee, 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.

INDEPENDENT AUDITOR'S REPORT

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 Mr. Tam Shing Yu.

RSM Hong Kong
Certified Public Accountants
Hong Kong

30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Revenue	7	**669,727**	569,113
Cost of goods sold		**(329,661)**	(280,046)
Sales related tax and auxiliary charges		**(5,443)**	(5,002)
Gross profit		**334,623**	284,065
Other income and other gains and losses	8	**7,221**	14,778
Impairment losses for trade and other receivables		**(2,743)**	(4,118)
Selling expenses		**(34,440)**	(24,607)
Administrative and other operating expenses		**(102,116)**	(72,898)
Profit from operations		**202,545**	197,220
Finance costs	10	**(11,438)**	(19,399)
Profit before tax		**191,107**	177,821
Income tax expense	11	**(21,991)**	(24,960)
Profit for the year	12	**169,116**	152,861
Attributable to:			
Owners of the Company		**162,026**	148,172
Non-controlling interests		**7,090**	4,689
		169,116	152,861
Earnings per share	16		
– Basic (RMB)		**0.16**	0.18
– Diluted (RMB)		**0.16**	0.18

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
Profit for the year	**169,116**	152,861
Other comprehensive income:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(31)**	2
Other comprehensive income for the year, net of tax	**(31)**	2
Total comprehensive income for the year	**169,085**	152,863
Attributable to:		
Owners of the Company	**161,995**	148,174
Non-controlling interests	**7,090**	4,689
	169,085	152,863

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**571,196**	486,170
Right-of-use assets	18	**66,237**	68,247
Deposits paid for acquisition of property, plant and equipment		**184**	184
Deferred tax assets	31	**1,190**	1,190
Total non-current assets		**638,807**	555,791
Current assets			
Inventories	20	**101,815**	75,371
Trade receivables	21	**237,979**	191,951
Deposits, prepayment and other receivables	22	**20,309**	23,609
Restricted bank deposits	23	**40,000**	—
Bank and cash balances	23	**1,565,463**	747,582
Total current assets		**1,965,566**	1,038,513
TOTAL ASSETS		**2,604,373**	1,594,304

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	24	99,319	12,342
Reserves	26	2,070,170	1,168,897
		2,169,489	1,181,239
Non-controlling interests		173,164	166,074
		2,342,653	1,347,313
LIABILITIES			
Non-current liabilities			
Bank loans and other borrowings	27	—	75,366
Lease liabilities	29	1,401	2,044
Deferred revenue	30	3,903	5,351
Deferred tax liabilities	31	1,369	—
Total non-current liabilities		6,673	82,761
Current liabilities			
Bank loans and other borrowings	27	157,889	90,273
Lease liabilities	29	629	577
Trade payables	32	37,563	21,891
Accruals and other payables	33	56,520	42,056
Contract liabilities	34	13	446
Deferred revenue	30	1,448	2,136
Current tax labilities		985	6,851
Total current liabilities		255,047	164,230
TOTAL EQUITY AND LIABILITIES		2,604,373	1,594,304

Approved by the Board of Directors on 30 March 2022 and are signed on its behalf by:

SU Ertian
Director

ZHOU Fangchao
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Merger reserve RMB'000	Convertible loans reserve RMB'000	Foreign currency translation reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	330	—	430,066	116,774	8,163	14	30,193	126,668	712,208	161,385	873,593
Total comprehensive income for the year	—	—	—	—	—	2	—	148,172	148,174	4,689	152,863
Transfer to statutory reserve	—	—	—	—	—	—	15,307	(15,307)	—	—	—
Issue share of convertible bonds converted (note 28)	—	—	73,056	8,000	(8,163)	—	—	—	72,893	—	72,893
Issue of share capital of Chesir Pearl	—	—	223,177	24,787	—	—	—	—	247,964	—	247,964
Issue of share capital (note 24(b))	12,012	—	—	(12,012)	—	—	—	—	—	—	—
Changes in equity for the year	12,012	—	296,233	20,775	(8,163)	2	15,307	132,865	469,031	4,689	473,720
At 31 December 2020	12,342	—	726,299	137,549	—	16	45,500	259,533	1,181,239	166,074	1,347,313
At 1 January 2021	**12,342**	**—**	**726,299**	**137,549**	**—**	**16**	**45,500**	**259,533**	**1,181,239**	**166,074**	**1,347,313**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**(31)**	**—**	**162,026**	**161,995**	**7,090**	**169,085**
Transfer of statutory reserve	**—**	**—**	**—**	**—**	**—**	**—**	**15,278**	**(15,278)**	**—**	**—**	**—**
Issue of share capital under the Capitalisation Issue (note 24(c))	**60,402**	**(60,402)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Issue of share capital under Global Offering (note 24(d))	**24,161**	**726,365**	**—**	**—**	**—**	**—**	**—**	**—**	**750,526**	**—**	**750,526**
Issue of share capital under Over-allotment (note 24(e))	**2,414**	**73,315**	**—**	**—**	**—**	**—**	**—**	**—**	**75,729**	**—**	**75,729**
Changes in equity for the year	**86,977**	**739,278**	**—**	**—**	**—**	**(31)**	**15,278**	**146,748**	**988,250**	**7,090**	**995,340**
At 31 December 2021	**99,319**	**739,278**	**726,299**	**137,549**	**—**	**(15)**	**60,778**	**406,281**	**2,169,489**	**173,164**	**2,342,653**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		191,107	177,821
Adjustments for:			
Finance costs		11,438	19,399
Interest income		(3,228)	(2,106)
Depreciation on property, plant and equipment		25,560	22,867
Depreciation on right-of-use assets		1,996	1,557
Amortisation of deferred revenue		(2,136)	(2,692)
Impairment losses for trade and other receivables		2,743	4,118
Fair value loss on derivative component of convertible loans		—	1,998
Operating profit before working capital changes		227,480	222,962
(Increase)/decrease in inventories		(26,444)	4,763
Increase in trade receivables		(48,771)	(74,346)
Decrease/(increase) in deposits, prepayments and other receivables		3,300	(19,611)
Increase/(decrease) in trade payables		15,672	(8,050)
Increase in accruals and other payables		14,464	11,781
Decrease in contract liabilities		(433)	(264)
Cash generated from operations		185,268	137,235
Income tax paid		(26,488)	(20,797)
Interest on lease liabilities		(129)	(162)
Interest paid		(11,309)	(19,705)
Net cash generated from operating activities		147,342	96,571
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(110,586)	(155,130)
Payments for right-of-use assets		—	(13,362)
Placement in restricted bank deposits		(40,000)	—
Interest received		3,228	2,106
Net cash used in investing activities		(147,358)	(166,386)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loans and other borrowings raised		**13,087**	21,718
Repayment of bank loans and other borrowings		**(20,837)**	(11,808)
Principal elements of lease payments		**(577)**	(539)
Decrease in amount due to a director		**—**	(105)
Repayment in amount due from a shareholder		**—**	330
Proceeds from issue of share capital of Chesir Pearl		**—**	247,960
Proceeds from issue of share capital		**826,255**	—
Net cash generated from financing activities		**817,928**	257,556
NET INCREASE IN CASH AND CASH EQUIVALENTS		**817,912**	187,741
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(31)**	2
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**747,582**	559,839
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**1,565,463**	747,582
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	23	**1,565,463**	747,582

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

Global New Material International Holdings Limited (the "Company") was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Pearlescent Industrial Park, No. 380, Feilu Road, Luzhai Town, Luzhai County, Liuzhou City, Guangxi Zhuang Autonomous Region, People's Republic of China ("the PRC"). The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 19 to the consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Company and its subsidiaries (collectively the "Group") are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 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 and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Application of new and revised IFRSs

The Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phrase 2
Amendments to IFRS 16	COVID-19 Related Rent Concession

Except as described below, the application of the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

(a) Application of new and revised IFRSs *(continued)*

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest Rate Benchmark Reform – Phrase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR reform").

The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

(b) New and revised IFRSs in issue but not yet effective

The Group has not early applied any new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 16 COVID-19 Related Rent Concession Beyond 30 June 2021	1 April 2021
Amendments to IFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022
Amendments to IAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 Income Taxes - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments and new standards 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.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. Certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, 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 Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Consolidation *(continued)*

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Reminbi ("RMB"), which is the Company's functional and presentation currency.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Foreign currency translation *(continued)*

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Property, plant and equipment

Property, plant and equipment are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	20 years
Plant and machinery	10 years
Motor vehicles	5 years
Office equipment	3 - 5 years
Leasehold improvements	3 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease 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.

The Group 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 short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense 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 calculated 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 hence are charged to profit or loss in the accounting period in which they are 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 plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes 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, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Leases *(continued)*

The Group as a lessee *(continued)*

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to 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 change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that 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. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16. In such cases, the Group took advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 4(v) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Recognition and derecognition of financial instruments *(continued)*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

(h) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments held by the Group are classified into amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

(i) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) 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 statement of cash flows. Cash and cash equivalents are assessed for ECL.

(k) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(m) Convertible loans

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loans and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as convertible loans reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion related to the equity component is charged directly to equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(p) Revenue and other income

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. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sale of goods are recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

(t) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Taxation *(continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(u) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Impairment of non-financial assets *(continued)*

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated pro rata amongst the assets of the cash-generating unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(v) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Impairment of financial assets and contract assets *(continued)*

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk for a particular financial instrument;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor;

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Impairment of financial assets and contract assets *(continued)*

Significant increase in credit risk *(continued)*

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) the financial instrument has a low risk of default,

(ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating 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.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Impairment of financial assets and contract assets *(continued)*

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date, for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Impairment of financial assets and contract assets *(continued)*

Measurement and recognition of ECL *(continued)*

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(w) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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 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 is remote.

(x) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

(b) Determining the lease term

In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation.

Generally, periods covered by an extension option in other properties leases have not been included in the lease liability because the Group could replace the assets without significant cost or business disruption. See note 18 for further information.

The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. During the current financial year, no lease term has been reassessed.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(a) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 December 2021, the carrying amount of the property, plant and equipment and right-of-use assets were approximately RMB571,196,000 and RMB66,237,000 (2020: RMB486,170,000 and RMB68,247,000) respectively.

(b) Impairment loss of trade receivables

The management of the Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2021, the carrying amount of trade receivables was approximately RMB237,979,000 (net of allowance for doubtful debts of RMB7,681,000) (2020: RMB191,951,000 (net of allowance for doubtful debts of approximately RMB4,938,000)).

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(c) Allowance for slow-moving inventories and net realisable value of inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. Allowance for slow-moving inventories of RMB Nil made for the year ended 31 December 2021 (2020: RMB Nil).

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer's taste and competitor's actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks with acceptable credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

The Group does not provide any other guarantees which would expose the Group to credit risk.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. 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 90-180 days from the date of billing. Debtors with balances that are more than 90-180 days past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

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 customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk *(continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2021:

	2021		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	2.42%	243,892	5,915
1 - 90 days past due	N/A	—	—
91- 365 days past due	100%	56	56
Over 1 year past due	100%	1,712	1,710
		245,660	7,681

	2020		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.7%	194,949	3,402
1 - 90 days past due	32.1%	206	66
91- 365 days past due	69.1%	855	591
Over 1 year past due	100%	879	879
		196,889	4,938

Expected loss rates are based on actual loss experience over the past 1 (2020: 1) year. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk *(continued)*

Movement in the loss allowance for trade receivables during the year is as follows:

	2021 RMB'000	2020 RMB'000
At 1 January	**4,938**	851
Impairment loss recognised for the year	**2,743**	4,087
At 31 December 2021	**7,681**	4,938

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance during 2021:

– origination of new trade receivables net of those settled resulted in an increase in loss allowance of approximately RMB2,743,000.

Financial assets at amortised cost

All of the Group's financial instruments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. Instruments are considered to be low credit risk when they have a low of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity risk *(continued)*

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Weighted average interest rate %	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over and 5 years RMB'000	Undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2021							
Trade payables		37,563	–	–	–	37,563	37,563
Accruals and other payables		56,520	–	–	–	56,520	56,520
Bank loans and other borrowings							
– fixed rate	6.38	168,931	–	–	–	168,931	156,389
– variable rate	8.85	1,633	–	–	–	1,633	1,500
Lease liabilities	4.56	724	725	757	–	2,206	2,030
		265,371	725	757	–	266,853	254,002

	Weighted average interest rate %	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over and 5 years RMB'000	Undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2020							
Trade payables		21,891	–	–	–	21,891	21,891
Accruals and other payables		42,056	–	–	–	42,056	42,056
Bank loans and other borrowings							
– fixed rate	6.85	84,578	77,526	–	–	162,104	148,881
– variable rate	8.89	16,149	1,636	–	–	17,785	16,758
Lease liabilities	4.89	707	728	1,494	–	2,929	2,621
		165,381	79,890	1,494	–	246,795	232,207

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For the year ended 31 December 2021

6. FINANCIAL RISK MANAGEMENT *(continued)*

(d) Interest rate risk

Certain of the Group's bank loans and other borrowings bear interest at fixed interest rates and therefore are subject to fair value interest rate risk.

The Group's exposure to interest-rate risk arises from its bank deposits and certain of the Group's bank loans and other borrowings. These deposits and bank loans and other borrowings bear interest at variable rates varied with the then prevailing market condition.

At 31 December 2021, it is estimated that a general increase/decrease of 10 basis points in interest rates, with all other variables held constant, would have increased/(decreased) the Group's profit after tax for the year as follows:

	2021 RMB'000	2020 RMB'000
Increase/(decrease) in interest rates		
10 basis points	**10,671**	5,485
(10) basis points	**(10,671)**	(5,485)

The sensitivity analysis above indicates the impact on the Group's profit for the year and retained profits that would have arisen assuming that there is an annualised impact on interest income and expense by a change in interest rates. The analysis has been performed on the same basis thorough the year.

(e) Categories of financial instruments

	2021 RMB'000	2020 RMB'000
Financial assets		
Financial assets measured at amortised cost	**1,844,772**	946,677
Financial liabilities		
Financial liabilities measured at amortised cost	**254,002**	232,207

6. FINANCIAL RISK MANAGEMENT *(continued)*

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. REVENUE

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products for the year is as follows:

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products		
Pearlescent pigment	**667,707**	565,788
Synthetic mica	**2,020**	3,325
Total	**669,727**	569,113

The Group derives revenue from the transfer of goods at a point in time.

8. OTHER INCOME AND OTHER GAINS OR LOSSES

	2021 RMB'000	2020 RMB'000
Interest income on bank deposits	**3,228**	2,106
Government grants (note)	**4,697**	13,229
Net foreign exchange (losses)/gains	**(783)**	451
Fair value loss on derivative component of convertible loans	**—**	(1,998)
Sundry income	**79**	990
	7,221	14,778

Note: Government grant mainly related to the subsidies and rewards received from the local government authority for research and development and the achievements accomplished by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

9. SEGMENT INFORMATION

The Group has carried on a single business in a single geographical location, which is manufacturing and sales of pearlescent pigments and synthetic mica in the PRC, and all the assets are substantially located in the PRC. Accordingly, there is only one single business reportable segment which is regularly reviewed by the chief operating decision maker.

The Group's reportable segment is a strategic business unit that offers different products. It is centrally managed with the required technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 4 to consolidated financial statements.

Geographical information:

The Group's revenue from external customers by location of operations are detailed below:

	2021 RMB'000	2020 RMB'000
The PRC	**641,657**	539,172
Others	**28,070**	29,941
Consolidated total	**669,727**	569,113

Revenue from major customers:

There was no customer that had contributed over 10% of the Group's revenue during the year ended 31 December 2021 and 2020.

10. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on bank loans and other borrowings	**11,309**	11,126
Interest expenses on lease liabilities (note 18)	**129**	162
Interest on convertible loans (note 28)	**—**	8,111
	11,438	19,399

11. INCOME TAX EXPENSE

	2021 RMB'000	2020 RMB'000
Current tax – PRC:		
Provision for the year	**20,599**	24,742
Under provision in prior year	**23**	218
	20,622	24,960
Deferred tax (note 31)	**1,369**	—
	21,991	24,960

Under the two-tiered Profits Tax regime, the first HK$2 million of profits of the qualifying corporations established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%.

PRC Enterprise Income Tax has been provided at a rate of 25% for the year (2020: 25%).

France Corporation Tax is calculated at the applicable rate of 33.33% in accordance with the relevant law and regulations in France for the year (2020: 33.33%).

The Company and those subsidiaries incorporated in the Cayman Islands and the British Virgin Islands are not subject to income tax.

Those subsidiaries incorporated in Hong Kong and France have had no assessable profit subject to Hong Kong Profits Tax or France Corporation Tax during the year ended 31 December 2021 and 2020, respectively.

The income tax expense for the years ended 31 December 2021 and 2020 represents the PRC Enterprise Income Tax which is calculated at the prevailing tax rate on the taxable income of the group entities in the PRC.

Chesir Pearl obtained the high and new technology enterprise certificate to entitle to a preferential tax rate of 15% (2020: 15%) during the year, subject to annual review by the relevant authority.

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For the year ended 31 December 2021

11. INCOME TAX EXPENSE *(continued)*

The reconciliation between the income tax expense and the product of profit before tax multiplied by the PRC Enterprise Income Tax rate is as follows:

	2021 RMB'000	2020 RMB'000
Profit before tax	**191,107**	177,821
Tax at the domestic income tax rate of 25%	**47,777**	44,455
Tax effect of income that is not taxable	**(5,105)**	(7,039)
Tax effect of expenses that are not deductible	**4,135**	9,283
Tax effect of tax concession	**(26,001)**	(21,862)
Under-provision in prior year	**23**	218
(Under)/over-provision in current year	**(207)**	(95)
PRC withholding tax	**1,369**	—
Income tax expense	**21,991**	24,960

12. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

	2021 RMB'000	2020 RMB'000
Auditor's remuneration	**1,500**	—
Depreciation on property plant and equipment	**25,560**	22,867
Depreciation on right-of-use assets	**1,996**	1,557
Research and development expenditures	**48,458**	29,284
Cost of inventories sold	**329,661**	280,046
Impairment losses for trade and other receivables	**2,743**	4,118
Listing expenses	**8,996**	13,206
Operating lease charge	**1,502**	965

Note:

The following costs are included in the amounts of cost of inventories sold disclosed separately above:

	2021 RMB'000	2020 RMB'000
Staff costs	**37,542**	26,708
Depreciation	**14,413**	13,419

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For the year ended 31 December 2021

13. EMPLOYEE BENEFITS EXPENSE

	2021 RMB'000	2020 RMB'000
Employee benefits expense:		
Salaries, bonuses and allowances	**55,029**	45,712
Retirement benefit scheme contributions	**14,345**	4,871
	69,374	50,583

Five highest paid individuals

The five highest paid individuals in the Group during the year included four (2020: four) were directors of the Company whose are reflected in the analysis presented in note 14.

The emoluments of the remaining one (2020: one) individual are set out below:

	2021 RMB'000	2020 RMB'000
Salaries, bonuses and allowances	**643**	550
Retirement benefit scheme contributions	**—**	24
	643	574

The emoluments fell within the following band:

	Number of individuals	
	2021	2020
Nil to HK$1,000,000	**1**	1

During the year, there was no arrangement under which a director of the Company waived or agreed to waive any remuneration, and no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. (2020: Nil).

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For the year ended 31 December 2021

14. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every Director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								
	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Housing allowance RMB'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
Executive directors:									
Mr. SU Ertian (蘇爾田先生)	–	536	250	–	40	–	–	–	826
Mr. ZHENG Shizhan (鄭世展先生)	–	481	119	–	48	–	–	–	648
Mr. JIN Zengqin (金增勤先生)	–	409	141	–	48	–	–	–	598
Mr. ZHOU Fangchao (周方超先生)	–	400	210	–	40	–	–	–	650
Non-executive directors:									
Mr. QIN Min (秦敏先生)	–	–	–	–	–	–	–	–	–
Mr. HU Yongxiang (胡永祥先生)	–	–	–	–	–	–	–	–	–
Mr. NG Teck Sim (黃得森先生) (Note)	–	–	–	–	–	–	–	–	–
Mr. KOK Hoong Chwan (郭宏船先生) (alternate director of Mr. NG Teck Sim) (Note)	–	–	–	–	–	–	–	–	–
Independent Non-executive directors:									
Mr. MAK Hing Keung, Thomas (麥興強先生)	68	–	–	–	–	–	–	–	68
Professor HAN Gaorong (韓高榮教授)	68	–	–	–	–	–	–	–	68
Mr. LEUNG Kwai Wah Alex (梁貴華先生)	68	–	–	–	–	–	–	–	68
Total for the year ended 31 December 2021	204	1,826	720	–	176	–	–	–	2,926

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For the year ended 31 December 2021

14. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' emoluments *(continued)*

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								
	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Housing allowance RMB'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
Executive directors:									
Mr. SU Ertian (蘇爾田先生)	–	480	220	–	38	–	–	–	738
Mr. ZHENG Shizhan (鄭世展先生)	–	420	180	–	36	–	–	–	636
Mr. JIN Zengqin (金增勤先生)	–	360	190	–	33	–	–	–	583
Mr. ZHOU Fangchao (周方超先生)	–	360	190	–	33	–	–	–	583
Non-executive directors:									
Mr. QIN Min (秦敏先生)	–	–	–	–	–	–	–	–	–
Mr. HU Yongxiang (胡永祥先生)	–	–	–	–	–	–	–	–	–
Mr. NG Teck Sim (黃得森先生) (Note)	–	–	–	–	–	–	–	–	–
Mr. KOK Hoong Chwan (郭宏船先生) (alternate director of Mr. NG Teck Sim) (Note)	–	–	–	–	–	–	–	–	–
Independent Non-executive directors:									
Mr. MAK Hing Keung, Thomas (麥興強先生)	–	–	–	–	–	–	–	–	–
Professor HAN Gaorong (韓高榮教授)	–	–	–	–	–	–	–	–	–
Mr. LEUNG Kwai Wah Alex (梁貴華先生)	–	–	–	–	–	–	–	–	–
Total for the year ended 31 December 2020	–	1,620	780	–	140	–	–	–	2,540

Neither the chief executive nor any of the Directors waived any emoluments during the year (2020: Nil).

Note: Mr. NG Teck Sim and Mr. Mr. KOK Hoong Chwan appointed on 30 October 2020 and resigned on 29 May 2021

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

15. DIVIDENDS

The Directors propose a final cash dividend of 3.5 HK cents per share for the year ended 31 December 2021 (2020: Nil).

16. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the following:

	2021 RMB'000	2020 RMB'000
Profit for the purpose of calculating basic earnings per share	**162,026**	148,172

	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,019,270**	872,022

(b) Diluted earnings per share

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2021 and 2020.

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For the year ended 31 December 2021

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Leasehold improvement RMB'000	Total RMB'000
Cost							
At 1 January 2020	256,035	67,401	2,579	9,731	104,680	8,534	448,960
Additions	19	6,521	54	281	148,255	—	155,130
Disposals	—	—	—	(17)	—	—	(17)
Transfer	—	838	—	—	(838)	—	—
At 31 December 2020 and 1 January 2021	256,054	74,760	2,633	9,995	252,097	8,534	604,073
Additions	6,171	6,749	362	331	93,718	3,255	110,586
Transfers	52,060	7,917	—	135	(60,112)	—	—
At 31 December 2021	**314,285**	**89,426**	**2,995**	**10,461**	**285,703**	**11,789**	**714,659**
Accumulated depreciation							
At 1 January 2020	51,065	29,012	2,033	8,874	—	4,069	95,093
Charges for the year	12,807	6,902	122	191	—	2,845	22,867
Disposals	—	—	—	(17)	—	—	(17)
At 31 December 2020 and January 2021	63,872	35,914	2,155	9,048	—	6,914	117,903
Charges for the year	14,069	7,815	136	136	—	3,404	25,560
At 31 December 2021	**77,941**	**43,729**	**2,291**	**9,184**	**—**	**10,318**	**143,463**
Carrying amount							
At 31 December 2021	**236,344**	**45,697**	**704**	**1,277**	**285,703**	**1,471**	**571,196**
At 31 December 2020	192,182	38,846	478	947	252,097	1,620	486,170

At 31 December 2021 the carrying amount of property, plant and equipment pledged as security for the Group's bank loans and other borrowings amounted to approximately RMB95,567,000 (2020: RMB118,302,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

18. RIGHT-OF-USE ASSETS

	2021 RMB'000	2020 RMB'000
At 1 January	**68,247**	29,949
Additions	**—**	39,849
Depreciation	**(1,996)**	(1,557)
Exchange difference	**(14)**	6
At 31 December	**66,237**	68,247

Right-of-use assets comprised the leasehold lands in the PRC, and leased property in the PRC and France.

As at 31 December 2021, the carrying amount of right-of-use assets pledged as security for the Group's bank loans amounted to approximately RMB16,441,000 (2020: RMB16,851,000).

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2021 RMB'000	2020 RMB'000
Depreciation expenses on right-of-use assets	**1,996**	1,557
Interest expense on lease liabilities (included in finance cost)	**129**	162

Lease liabilities of approximately RMB2,030,000 (2020: RMB2,621,000) are recognised with related right-of-use assets of approximately RMB1,821,000 as at 31 December 2021 (2020: RMB2,429,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of total cash outflow for leases are set out in note 35.

For both years, the Group leases various offices and warehouses for its operations. Lease contracts are entered into for fixed term of 6 months to 108 months. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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19. INVESTMENTS IN SUBSIDIARIES

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ establishment	Authorised capital	Issued/paid up capital	Attributable equity interest of the Group	Principal activities
Generous Fortune (盛富有限公司)	British Virgin Islands	HK$12,590,725.2	HK$12,590,725.2	100% (Direct)	Investment holding
Global New Material (HK) (環球新材 (中國) 有限公司)	Hong Kong	N/A	HK$30,000	100% (Indirect)	Investment holding
廣西七色珠光材料股份有限公司 (Chesir Pearl) (note (a))	The PRC	RMB149,561,191	RMB149,561,191	97.19% (Indirect)	Manufacturing and sales of pearlescent pigment and synthetic mica
上海萬紫千紅珠光效應材料有限公司 (Shanghai Multicolor) (note (b))	The PRC	RMB10,000,000	RMB10,000,000	97.19% (Indirect)	Trading of pearlescent pigment and synthetic mica
鹿寨七色珠光雲母材料有限公司 (Chesir Luzhai) (note (b))	The PRC	RMB104,927,076	RMB104,927,076	58.35% (Indirect)	Manufacturing and sales of synthetic mica
柳州環球新材料有限責任公司 (note (c))	The PRC	RMB200,000,000	RMB147,178,000	100% (Indirect)	Inactive
Chesir France	France	EUR50,000	EUR50,000	97.19% (Indirect)	Inactive

Note:

(a) The subsidiary is a joint stock company established under the laws of the PRC with limited liability.

(b) These subsidiaries are limited companies established under the laws of the PRC with limited liability.

(c) The subsidiary is a wholly foreign-owned enterprises established under the laws of the PRC with limited liability.

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19. INVESTMENTS IN SUBSIDIARIES *(continued)*

The following table shows information on a subsidiary that has non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Chesir Pearl	
Principal place of business	The PRC	
	2021	**2020**
% of ownership interests/voting rights held by NCI	**2.81%/ 2.81%**	2.81%/ 2.81%

	RMB'000	**RMB'000**
Non-current assets	**638,807**	555,791
Current assets	**1,765,360**	1,031,290
Non-current liabilities	**(5,304)**	(82,761)
Current liabilities	**(872,164)**	(148,134)
Net assets	**1,526,699**	1,356,186
Accumulated NCI	**173,164**	166,074

	2021 RMB'000	**2020 RMB'000**
Revenue	**669,727**	569,113
Profit	**170,513**	161,957
Total comprehensive income	**170,513**	161,957
Profit allocated to NCI	**7,090**	4,689
Net cash generated from operating activities	**147,351**	102,456
Net cash used in investing activities	**(147,472)**	(165,378)
Net cash generated from financing activities	**621,020**	247,612
Net increase in cash and cash equivalents	**620,899**	184,690

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

20. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	9,899	6,506
Work in progress	51,604	45,126
Finished goods	40,312	23,739
	101,815	75,371

21. TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	245,660	196,889
Allowances for doubtful debts	(7,681)	(4,938)
	237,979	191,951

The Group generally allows a credit period from 90 to 180 days for its customers. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors of the Company.

The aging analysis of trade receivables based on the invoice date (or date of revenue recognition, if earlier), and net of allowances, is as follows:

	2021 RMB'000	2020 RMB'000
0 to 90 days	190,817	168,476
91 to 180 days	47,160	23,161
181 to 365 days	—	290
Over 365 days	2	24
	237,979	191,951

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For the year ended 31 December 2021

21. TRADE RECEIVABLES *(continued)*

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
RMB	**230,940**	185,823
US$	**7,039**	6,128
Total	**237,979**	191,951

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Deposits	**980**	2,997
Prepayments	**18,977**	16,465
Value-added tax recoverable	**12**	3,776
Other receivables	**340**	371
	20,309	23,609

23. RESTRICTED BANK DEPOSITS AND BANK AND CASH BALANCES

The restricted bank deposits represented deposits related to the intra-group borrowings from Global New Material (HK) to Chesir Pearl that are pending the bank in the PRC to completed the relevant procedures for the transfer of the fund. The fund was successfully transferred to Chesir Pearl in March 2022.

The carrying amounts of the Group's bank and cash balances are denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
RMB	**1,511,155**	743,520
US$	**1,420**	3,895
EUR	**103**	89
HK$	**52,785**	78
	1,565,463	747,582

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

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24. SHARE CAPITAL

	Number of shares issued	Authorised US$'000	Authorised HK$'000	Issued and fully paid RMB'000
Share capital of the Company in ordinary shares of US$1 each				
At 1 January 2020	50,000	50	—	330
Cancellation of authorised capital (note (a))	(50,000)	(50)	—	(330)
At 31 December 2020, 1 January 2021 and 31 December 2021	—	—	—	—
Share capital of the Company in ordinary shares of HK$0.1 each				
At 1 January 2020	—	—	—	—
Increase of authorised capital (note (a))	—	—	8,000,000	—
Issue and allotted of 3,900,000 shares (note (a))	3,900,000	—	—	330
Share issue (note (b))	141,436,931	—	—	12,012
At 31 December 2020 and 1 January 2021	145,336,931	—	8,000,000	12,342
Share issued under the Capitalisation Issue (note (c))	726,684,655	—	—	60,402
Share issued under Global Offering (note (d))	290,674,000	—	—	24,161
Share issue under Over-allotment (note (e))	29,068,000	—	—	2,414
At 31 December 2021	**1,191,763,586**	**—**	**8,000,000**	**99,319**

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24. SHARE CAPITAL *(continued)*

Notes:

(a) Pursuant to the written resolutions approved by the then sole shareholder of the Company on 30 October 2020, (a) the authorised share capital of the Company was increased to HK$8,000,000,000 by the creation of 80,000,000,000 ordinary shares of HK$0.1 each; (b) the authorised share capital of the Company has been diminished by the cancellation of all unissued shares of par value of US$1.0 each; and (c) the issued share capital has been increased to 3,900,000 ordinary shares of HK$0.1 each allotted and issued to the then sole shareholder in consideration for the repurchase by the Company for cancellation from the then sole shareholder the 50,000 shares of par value of US$1.0 each of the Company.

(b) On 18 November 2020, the Company allotted and issued 122,007,252 new ordinary shares of the Company of HK$0.1 each pursuant to a share swap implemented and accepted by all shareholders of Generous Fortune, whereby one ordinary share of Generous Fortune was exchanged for one ordinary share of the Company, except for the 7,493,138 shares of Generous Fortune held by Ertian International Investment Limited ("Ertian International"), a company wholly owned by Mr. SU, which were exchanged for 3,593,138 ordinary shares of the Company allotted and issued to Ertian International and as a result, the 22 equity holders of Chesir Pearl who have agreed and completed the required procedures under the applicable PRC laws and regulations to transfer their equity interests in Chesir Pearl for the same number of shares of Generous Fortune ("Consent Chesir Pearl Equity Holders") have become the shareholders of the Company. On the same date, 19,429,679 new ordinary shares of the Company of HK$0.1 each have been allotted and issued to the bond holder and a shareholder of Chesir Pearl.

(c) Pursuant to the written resolutions approved by the shareholders of the Company on 2 June 2021 and the resolutions of the directors of the Company passed on 2 June 2021, subject to the conditions set forth therein (as referred to in the paragraphs under "A. Further information about our Group — 4. Written resolutions approved by our Shareholders on 2 June 2021" in Appendix V "Statutory and General Information" to the Prospectus), the directors of the Company are authorised to allot and issue a total of 726,684,655 ordinary shares of the Company (the "Capitalisation Issue") credited as fully paid at par to the shareholders of the Company whose names appear on the register of members of the Company as of the date of the passing of the relevant resolution approving the Capitalisation Issue, on a pro rata basis, by way of capitalisation of the sum of HK$72,668,465.5 standing to the credit of the share premium account of the Company, and the ordinary shares of the Company to be allotted and issued pursuant to this resolution shall rank equally in all respects with the existing issued ordinary shares of the Company. The Capitalisation Issue were allotted and issued on 16 July 2021.

(d) On 15 July 2021, 290,674,000 ordinary shares of par value of HK$0.1 each were issued at a price of HK$3.25 in connection with the Global Offering for a total proceeds of approximately RMB750,526,000, net of listing expenses of approximately RMB34,700,000, of which HK$29,067,000 (equivalent to approximately RMB24,161,000) were credited to the Company's share capital and the remaining proceeds of approximately RMB726,365,000 were credited to the share premium account. The shares of the Company have been listed on the Main Board of the Stock Exchange since 16 July 2021.

(e) On 5 August 2021, 29,068,000 ordinary shares of par value of HK$0.1 each were issued at a price of HK$3.25 in connection with the Global Offering under the Over-allotment Option for a total proceeds of approximately RMB75,729,000, net of listing expenses of approximately RMB2,747,000, of which HK$2,907,000 (equivalent to approximately RMB2,414,000) were credited to the Company's share capital and the remaining proceeds of approximately RMB73,315,000 were credited to the share premium account.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

24. SHARE CAPITAL *(continued)*

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Total debt comprises bank loans and other borrowings and lease liabilities. Adjusted capital comprises all components of equity (i.e. share capital, retained profits and other reserves etc.) except for non-controlling interests.

During 2021, the Group's strategy, which was unchanged from 2020, was to maintain the debt-to-adjusted capital ratio at a level of industry average.

The debt-to-adjusted capital ratios at 31 December 2021 and 2020 were as follows:

	2021 RMB'000	2020 RMB'000
Total debt	**159,919**	168,260
Less: cash and cash equivalents	**(1,565,463)**	(747,582)
Net cash	**(1,405,544)**	(579,322)
Total equity	**2,169,489**	1,181,239
Debt-to-adjusted capital ratio	**N/A**	N/A

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There were no breaches of financial covenants of any interest-bearing borrowings for the years ended 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

25. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2021 RMB'000	2020 RMB'000
Non-current assets			
Investment in a subsidiary		296,393	296,393
Current assets			
Prepayments		201	4,168
Amount due from subsidiaries		787,118	65
Bank and cash balances		52,770	2,959
Total current assets		840,089	7,192
TOTAL ASSETS		1,136,482	303,585
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	24	99,319	12,342
Reserves	25(b)	1,016,282	274,674
Total equity		1,115,601	287,016
Current liabilities			
Other borrowings		20,879	3,783
Accruals and other payables		2	6,338
Amount due to subsidiaries		—	6,448
Total current liabilities		20,881	16,569
TOTAL EQUITY AND LIABILITIES		1,136,482	303,585

Approved by the Board of Directors on 30 March 2022 and are signed on its behalf by:

SU Ertian
Director

ZHOU Fangchao
Director

25. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(continued)

(b) Reserve movement of the Company

	Share premium RMB'000	Special reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	—	—	(81)	(81)
Group reorganisation	—	284,381	—	284,381
Total comprehensive income for the year	—	—	(9,626)	(9,626)
At 31 December 2020 and 1 January 2021	—	284,381	(9,707)	274,674
Issue of share capital under the Capitalisation Issue (note 24(c))	(60,402)	—	—	739,278
Issue of share capital under Global Offering (note 24(d))	726,365	—	—	—
Issue of share capital under Over-allotment (note 24(e))	73,315	—	—	—
Total comprehensive income for the year	—	—	2,330	2,330
At 31 December 2021	**739,278**	**284,381**	**(7,377)**	**1,016,282**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

26. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

The share premium represents the differences between the proceed from issue of shares and the nominal amount of the shares issued by the Company.

(ii) Merger reserve

Merger reserve arose as a result of the group reorganisation upon incorporation of the Company on 8 June 2018. The share capital of Chesir Pearl was transferred to merger reserve and share capital reflected that of the Company.

(iii) Other reserve

Other reserve arose as a result of excess of capital contribution over the share capital of the subsidiaries.

(iv) Convertible loans reserve

The convertible loans reserve represents the value of the unexercised equity component of convertible loans issued by a subsidiary recognised in accordance with the accounting policy adopted for convertible loans in note 4(m) to the consolidated financial statements.

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(b) to the consolidated financial statements.

(vi) Statutory surplus reserve fund

The statutory surplus reserve, which is non-distributable, is appropriated from the profit after tax of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

(vii) Special reserve

Special reserve represents the difference between the consideration and the share capital of a subsidiary acquired under common control pursuant to the group reorganisation.

27. BANK LOANS AND OTHER BORROWINGS

	2021 RMB'000	2020 RMB'000
Secured bank loans	**133,740**	137,340
Other borrowings		
– Secured	**1,500**	18,581
– Unsecured	**22,649**	9,718
	157,889	165,639

The bank loans and other borrowings are repayable as follows:

	2021 RMB'000	2020 RMB'000
Within one year	**135,240**	90,273
More than one year, but not exceeding two years	**—**	75,366
	135,240	165,639
Portion of borrowings that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	**22,649**	—
	157,889	165,639
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(157,889)**	(90,273)
	—	75,366

The carrying amounts of the Group's bank loans and other borrowings are denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
RMB	**135,257**	155,921
HK$	**14,413**	9,718
US$	**8,219**	—
	157,889	165,639

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

27. BANK LOANS AND OTHER BORROWINGS *(continued)*

The average interest rates at 31 December 2021 were as follows:

	2021	2020
Secured bank loans	**7.17% per annum**	7.17% per annum
Other borrowings		
– Secured	**8.85% per annum**	8.80% per annum
– Unsecured	**2.00% per annum**	2.00% per annum

Bank loans and other borrowings of approximately RMB156,389,000 (2020: RMB148,881,000) as at 31 December 2021 are arranged at fixed interest rates and expose the Group to fair value interest rate risk. The remaining balances of bank loans and other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The Group's secured bank loans are secured by the Group's property, plant and equipment (note 17) and right-of-use assets (note 18) and also secured by the corporate guarantees from related parties, together with personal guarantees of a director of the Company and the close family members of a director of the Company and pledged by non-controlling equity interests of the Group held by related parties.

The Group's secured other borrowings are secured by the Group's property, plant and equipment (note 17) and also secured by the corporate guarantees from related parties, together with personal guarantees of a director of the Company and the close family members of a director of the Company.

Upon listing of the shares of the Company on the Main Board of the Stock Exchange and as at 31 December 2021, the corporate guarantees from related parties, together with personal guarantees of a director of the Company and the close family members of a director of the Company and the pledge from non-controlling equity interests of the Group held by related parties have been released or replaced by corporate guarantees executed by the Company.

28. CONVERTIBLE LOANS

The unlisted, guaranteed and unsecured convertible loan was issued by Chesir Pearl on 31 May 2019 with a nominal value of RMB72,240,000. The convertible loan is convertible at 8,000,000 shares of Chesir Pearl per RMB9.03 convertible loan ("2019 Convertible Bonds").

If 2019 Convertible Bonds is not converted, it will be redeemed at par on 31 May 2021. It has coupon rate of 8% per annum on the principal amount outstanding and interest will be paid annually in arrears until that settlement date.

28. CONVERTIBLE LOANS *(continued)*

If Chesir Pearl fails to complete or meet the qualifications for a qualified listing before 31 December 2020, and the holders of 2019 Convertible Bonds has not exercised the debt-to-equity swap option, the holders of 2019 Convertible Bonds has the right (but not the obligation) to choose to extend the loan period of 2019 Convertible Bonds to 31 December 2021, and the coupon rate of 2019 Convertible Bonds during the extension period is remained at 8% per annum.

During the loan period and extension period, when one of the following situations occurs, the holders of 2019 Convertible Bonds have the right (but not the obligation) to choose to convert its 2019 Convertible Bonds into ordinary share of Chesir Pearl; the holders of 2019 Convertible Bonds also has the right to convert its 2019 Convertible Bonds into ordinary share of Chesir Pearl after 30 September 2019 regardless of the occurrence of the following situations:

- Chesir Pearl meets the qualifications for a qualified listing; or
- The loan period expires and Chesir Pearl does not have any breach of 2019 Convertible Bonds contract. "Qualified listing" refers to the Chesir Pearl's initial public offering of shares and listing and trading of its shares on the Shanghai Stock Exchange, the Shenzhen Stock Exchange or other overseas stock exchanges (such as the Stock Exchange and the Singapore Stock Exchange, etc.) recognised by the holders of 2019 Convertible Bonds.

2019 Convertible Bonds is guaranteed by the prevailing controlling shareholder of Chesir Pearl and a director of Chesir Pearl.

The liability element, the derivative component of extension option and an equity component, as follows:

	2020 RMB'000
Liability component as at 1 January 2020	69,106
Interest charged (note 10)	8,111
Interest paid	(7,964)
Converted during the year	(69,253)
Liability component as at 31 December 2020	—
Derivative component of extension option at 1 January 2020	1,642
Fair value loss for the year	1,998
Converted during the year	(3,640)
Derivative component of extension option as at 31 December 2020	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

29. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2021 RMB'000	**2020 RMB'000**	**2021 RMB'000**	**2020 RMB'000**
Within one year	**724**	707	**629**	577
In the second to fifth years, inclusive	**1,482**	2,222	**1,401**	2,044
	2,206	2,929	**2,030**	2,621
Less: Future finance charges	**(176)**	(308)	**N/A**	N/A
Present value of lease obligations	**2,030**	2,621	**2,030**	2,621
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(629)**	(577)
Amount due for settlement after 12 months			**1,401**	2,044

The carrying amounts of the Group's lease liabilities are denominated in the following currencies:

	2021 RMB'000	**2020 RMB'000**
RMB	**1,904**	2,452
EUR	**126**	169
	2,030	2,621

30. DEFERRED REVENUE

	2021 RMB'000	**2020 RMB'000**
Government grants	**5,351**	7,487

30. DEFERRED REVENUE *(continued)*

	2021 RMB'000	2020 RMB'000
Analysed as:		
Current liabilities	**1,448**	2,136
Non-current liabilities	**3,903**	5,351
	5,351	7,487

The deferred revenue arises in respect of the Group's government grants.

The deferred revenue arises as a result of the benefits received from government grants received during the year ended 31 December 2014, 2015, 2016, and 2018.

31. DEFERRED TAX

The following are the deferred tax liabilities and assets recognised by the Group.

Deferred tax liabilities

It represents the withholding tax for interest income receivable from PRC subsidiaries.

	Withholding tax RMB'000
At 31 December 2020 and 1 January 2021	—
Charge to profit or loss for the year	1,369
At 31 December 2021	1,369

Deferred tax assets

	Doubtful debts RMB'000
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	1,190

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

32. TRADE PAYABLES

The aging analysis of trade payables based on the date of receipt of goods, is as follows:

	2021 RMB'000	2020 RMB'000
0 to 90 days	36,695	21,507
91 to 180 days	226	—
181 to 365 days	374	263
Over 365 days	268	121
	37,563	21,891

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
RMB	35,386	19,426
US$	2,177	2,465
	37,563	21,891

33. ACCRUALS AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Accruals	29,025	25,322
Construction fee payables	10,049	—
Other payables	17,446	16,734
	56,520	42,056

34. CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Contract liabilities		
Deposits received in advance	13	446

Movement in contract liabilities:

	2021 RMB'000	2020 RMB'000
At 1 January	446	710
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the year	(446)	(710)
Increase in contract liabilities as a result of deposit received in advance	13	446
At 31 December	13	446

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

During the year 2020, the Group utilised approximately RMB26,487,000 of deposits paid for acquisition of property, plant and equipment and right-of-use assets as at 31 December 2019, for purchasing approximately RMB39,849,000 of additional leasehold land in the PRC.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2021 RMB'000	Cash flows RMB'000	Interest expenses/ lease charges RMB'000	Transfer to equity RMB'000	31 December 2021 RMB'000
Bank loans and other borrowings	**165,639**	**(19,059)**	**11,309**	**—**	**157,889**
Lease liabilities	**2,621**	**(720)**	**129**	**—**	**2,030**
	168,260	**(19,779)**	**11,438**	**—**	**159,919**

	1 January 2020 RMB'000	Cash flows RMB'000	Interest expenses/ lease charges RMB'000	Transfer to equity RMB'000	31 December 2020 RMB'000
Bank loans and other borrowings	155,729	(1,216)	11,126	—	165,639
Convertible loans	69,106	(7,964)	8,111	(69,253)	—
Lease liabilities	3,158	(699)	162	—	2,621
	227,993	(9,879)	19,399	(69,253)	168,260

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(c) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2021 RMB'000	2020 RMB'000
Within operating cash flows	**1,631**	1,127
Within financing cash flows	**577**	539
	2,208	1,666

The above amounts related to the lease rental paid during the year ended 31 December 2021 and 2020.

36. CONTINGENT LIABILITIES

As at 31 December 2021, the Group and the Company did not have any significant contingent liabilities (2020: Nil).

37. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred and provided for are as follows:

	2021 RMB'000	2020 RMB'000
Property, plant and equipment	**635,046**	568,332

38. LEASE COMMITMENTS

The Group as lessee

The Group regularly entered into short-term leases for office and staff quarter. As at 31 December 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 18.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four years, as extracted from the published audited financial statements, is set forth below.

Results

	Year ended 31 December			
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	**669,727**	569,113	440,583	318,244
Cost of goods sold	**(329,661)**	(280,046)	(218,222)	(166,917)
Sales related tax and auxiliary charges	**(5,443)**	(5,002)	(4,084)	(4,380)
Gross profit	**334,623**	284,065	218,277	146,947
Profit before tax	**191,107**	177,821	125,301	87,746
Income tax expense	**(21,991)**	(24,960)	(17,968)	(6,382)
Profit for the year	**169,116**	152,861	107,333	81,364
Profit attributable to:				
Owners of the Company	**162,026**	148,172	102,806	77,400
Non-controlling interests	**7,090**	4,689	4,527	3,964
	169,116	152,861	107,333	81,364

Assets and liabilities

	As of 31 December			
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Total assets	**2,604,373**	1,594,304	1,177,741	745,113
Total liabilities	**261,720**	246,991	304,148	290,154
	2,342,653	1,347,313	873,593	454,959
Equity:				
Equity attributable to owners of the Company	**2,169,489**	1,181,239	712,208	298,101
Non-controlling interests	**173,164**	166,074	161,385	156,858
	2,342,653	1,347,313	873,593	454,959