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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 RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The Board is pleased to announce the annual results of the Group for the FY2022 as follows:

- Revenue amounted to RMB916.8 million, representing an increase of 36.9%, as compared to RMB669.7 million in the FY2021.
- Gross profit amounted to RMB455.3 million, representing an increase of 36.1%, as compared to RMB334.6 million in the FY2021; and the gross profit margin for the FY2022 and the FY2021 was 49.7% and 50.0%, respectively.
- Profit attributable to owners of the Company amounted to RMB223.8 million, representing an increase of 38.1%, as compared to RMB162.0 million in the FY2021; and the net profit margin for the FY2022 and the FY2021 was 25.8% and 25.3%, respectively.

The Board has decided not to declare and pay any final dividend for the FY2022 (FY2021: HK3.5 cents for each Share).

The board (the “**Board**”) of directors (the “**Directors**”) of Global New Material International Holdings Limited (the “**Company**” together with its subsidiaries, the “**Group**”) is pleased to announce the annual results of the Group for the year ended 31 December 2022 (the “**FY2022**”). The following sets forth the audited consolidated results of the Group for the FY2022 and the comparative figures for the year ended 31 December 2021 (the “**FY2021**”):

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Note	<u>2022</u>	<u>2021</u>
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	916,820	669,727
Cost of goods sold		(455,151)	(329,661)
Sales related tax and auxiliary charges		(6,334)	(5,443)
Gross profit		455,335	334,623
Other income and other gains and losses		18,301	7,221
Impairment losses for trade and other receivables, net		(3,505)	(2,743)
Selling expenses		(56,687)	(34,440)
Administrative and other operating expenses		(128,024)	(102,116)
Profit from operations		285,420	202,545
Finance costs		(10,952)	(11,438)
Profit before tax		274,468	191,107
Income tax expense	6	(37,958)	(21,991)
Profit for the year	7	<u>236,510</u>	<u>169,116</u>
Attributable to:			
Owners of the Company		223,788	162,026
Non-controlling interests		12,722	7,090
		<u>236,510</u>	<u>169,116</u>
Earnings per share	9		
– Basic (RMB)		<u>0.22</u>	<u>0.16</u>
– Diluted (RMB)		<u>0.22</u>	<u>0.16</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	236,510	169,116
Other comprehensive income:		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(3)	(31)
Other comprehensive income for the year, net of tax	(3)	(31)
Total comprehensive income for the year	236,507	169,085
Attributable to:		
Owners of the Company	223,785	161,995
Non-controlling interests	12,722	7,090
	236,507	169,085

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2022

	Note	<u>2022</u>	<u>2021</u>
		<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		759,364	571,196
Right-of-use assets		63,256	66,237
Deposits paid for acquisition of property, plant and equipment		184	184
Deferred tax assets		1,190	1,190
Total non-current assets		823,994	638,807
Current assets			
Inventories		120,130	101,815
Trade receivables	10	308,119	237,979
Deposits, prepayments and other receivables		21,900	20,309
Restricted bank deposits		—	40,000
Bank and cash balances		1,882,727	1,565,463
Total current assets		2,332,876	1,965,566
TOTAL ASSETS		3,156,870	2,604,373

	Note	<u>2022</u>	<u>2021</u>
		<i>RMB'000</i>	<i>RMB'000</i>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	11	99,319	99,319
Reserves		2,258,121	2,070,170
		2,357,440	2,169,489
Non-controlling interests		185,886	173,164
		2,543,326	2,342,653
LIABILITIES			
Non-current liabilities			
Bank loans and other borrowings		130,940	—
Convertible loan		294,217	—
Lease liabilities		66	1,401
Deferred revenue		2,455	3,903
Deferred tax liabilities		4,703	1,369
Total non-current liabilities		432,381	6,673
Current liabilities			
Bank loans and other borrowings		72,373	157,889
Derivative component of convertible loan		5,783	—
Lease liabilities		211	629
Trade payables	12	23,551	37,563
Accruals and other payables		74,178	56,520
Contract liabilities		13	13
Deferred revenue		1,448	1,448
Current tax liabilities		3,606	985
Total current liabilities		181,163	255,047
TOTAL EQUITY AND LIABILITIES		3,156,870	2,604,373

NOTES

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 manufacturing and sales of pearlescent pigment products and functional mica filler and related products.

2. Basis of preparation

The 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. The consolidated financial statements also comply with the applicable disclosure provisions of The Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and with the disclosure requirements of the Companies Ordinance (Cap. 622).

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 Company and its subsidiaries (collectively, 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 the 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 2022 for the preparation of the consolidated financial statements:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 16 (March 2021)	COVID-19 Related Rent Concessions beyond 30 June 2021
Annual Improvements Project	Annual Improvements to IFRS Standards 2018-2020

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

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

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1 - Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 - Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to IFRS 16 - Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the IASB

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. Revenue

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products for the FY2022 is as follows:

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products		
Pearlescent pigment products	850,699	667,707
Functional mica filler and related products	66,121	2,020
Total	<u>916,820</u>	<u>669,727</u>

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

5. Segment information

The Group has carried on a single business in a single geographical location, which is manufacturing and sales of pearlescent pigments products and functional mica filler and related products 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.

Geographical information:

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

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
The PRC	896,477	641,657
Others	20,343	28,070
Consolidated total	<u>916,820</u>	<u>669,727</u>

Revenue from major customers:

There was no customer that had contributed over 10% of the Group's revenue during the FY2022 and the FY2021.

6. Income tax expense

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
Provision for the year		
- PRC Enterprise Income Tax	31,477	20,599
- Hong Kong Profits Tax	694	—
	<u>32,171</u>	<u>20,599</u>
Under-provision in prior year		
- PRC Enterprise Income Tax	979	23
- Hong Kong Profits Tax	1,474	—
	<u>2,453</u>	<u>23</u>
	<u>34,624</u>	<u>20,622</u>
Deferred tax	<u>3,334</u>	<u>1,369</u>
	<u>37,958</u>	<u>21,991</u>

Under the two-tiered Profits Tax regime, the first HK\$2 million of profits of the qualifying group entity 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%. The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5%.

PRC Enterprise Income Tax has been provided at a rate of 25% (FY2021: 25%) for the FY2022.

France Corporation Tax is calculated at the applicable rate of 25% (FY2021: 26.5%) in accordance with the relevant law and regulations in France for the FY2022.

The Company is incorporated in the Cayman Islands and subject to Hong Kong Profits Tax.

The subsidiary incorporated in the British Virgin Islands is 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 FY2022 and the FY2021, respectively.

Guangxi Chesir Pearl Material Co., Ltd. (“**Chesir Pearl**”) and Luzhai Chesir Pearl Mica Material Co., Ltd. (“**Chesir Luzhai**”), subsidiaries of the Company, obtained the high and new technology enterprise certificate to entitle to a preferential tax rate of 15% (FY2021: 15%) during the FY2022, subject to annual review by the relevant authority.

7. Profit for the year

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

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Auditor's remuneration		
— audit service	1,650	1,500
— non-audit service	580	550
Depreciation on property, plant and equipment	37,359	25,560
Depreciation on right-of-use assets	1,668	1,996
Research and development expenditures	71,917	48,458
Cost of inventories sold (note)	455,151	329,661
Impairment losses for trade and other receivables, net	3,505	2,743
Listing expenses	—	8,996
	<u> </u>	<u> </u>

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

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs	46,668	37,542
Depreciation on property, plant and equipment	16,325	14,413
	<u> </u>	<u> </u>

8. Dividends

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
2021 Final of HK3.5 cents (2021: Nil) per ordinary share paid	<u>35,834</u>	<u> </u>

The Board has decided not to declare and pay any final dividend for the FY2022 (FY2021: HK3.5 cents per ordinary share).

9. Earnings per share

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

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Profit for the purpose of calculating basic and diluted earnings per share	<u>223,788</u>	<u>162,026</u>
	<u>2022</u>	<u>2021</u>
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,019,270	1,019,270
Effect of dilutive potential ordinary shares arising from convertible loan outstanding	<u>241</u>	<u>—</u>
	<u>1,019,511</u>	<u>1,019,270</u>

10. Trade receivables

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	319,109	245,202
Allowance for doubtful debts	<u>(10,990)</u>	<u>(7,223)</u>
	<u>308,119</u>	<u>237,979</u>

The Group generally allows a credit period from 30 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 allowance, is as follows:

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	264,228	190,817
91 to 180 days	43,180	47,160
181 to 365 days	711	—
Over 365 days	<u>—</u>	<u>2</u>
	<u>308,119</u>	<u>237,979</u>

11. Share capital

	<u>Number of shares issued</u>	<u>Authorised</u>	<u>Issued and fully paid</u>
		<i>HK\$'000</i>	<i>RMB'000</i>
Share capital of the Company in ordinary shares of HK\$0.1 each			
At 1 January 2021	145,336,931	8,000,000	12,342
Share issued under the Capitalisation Issue (note (a))	726,684,655	—	60,402
Share issued under Global Offering (note (b))	290,674,000	—	24,161
Share issue under Over-allotment (note (c))	29,068,000	—	2,414
At 31 December 2021, 1 January 2022 and 31 December 2022	<u>1,191,763,586</u>	<u>8,000,000</u>	<u>99,319</u>

Notes:

- (a) 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 of the Company dated 30 June 2021, 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.
- (b) On 15 July 2021, 290,674,000 ordinary shares of the Company of par value of HK\$0.1 each were issued at a price of HK\$3.25 in connection with the Global Offering of the Company 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.

- (c) On 5 August 2021, 29,068,000 ordinary shares of the Company of par value of HK\$0.1 each were issued at a price of HK\$3.25 in connection with the Global Offering of the Company 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.

12. Trade payables

The aging analysis of trade payables based on the date of receipt of goods, is as follows:

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	22,509	36,695
91 to 180 days	573	226
181 to 365 days	104	374
Over 365 days	365	268
	<u>23,551</u>	<u>37,563</u>

13. Contingent liabilities

As at 31 December 2022, the Group did not have any significant contingent liabilities (2021: Nil).

14. Capital commitments

Capital commitments contracted for at the end of the reporting period but not yet incurred and provided for are as follows:

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	<u>441,876</u>	<u>635,046</u>

BUSINESS REVIEW

The year of 2022 was extraordinary and full of challenges with a number of unexpected developments both in the international and domestic environments, such as the COVID-19 pandemic, Ukraine-Russia war and the regional geopolitical tensions between several countries. The global economy has struggled to recover from the COVID-19 pandemic and is faced with complicated and volatile risks and challenges. The Chinese government has coordinated well between the control of the pandemic and the sustainable economic and social developments. The economic performance in China was stable in 2022 and started to rebound at the beginning of 2023 following the combined effect of the economic stabilisation policies and the fiscal stimulation measures. Despite the impact of the unfavourable global environment, the pearlescent pigment industry has maintained a steady growth because of a number of positive developments, such as the increasing number of applications and the supports from the national industrial policies in China.

The Group has been developing its business towards its goals. During the FY2022, the Group's revenue amounted to RMB916.8 million, representing a year-on-year increase of 36.9%, and the profit attributable to owners of the Company amounted to RMB223.8 million, representing a year-on-year increase of 38.1%. In the FY2022, the Group seized the emerging business opportunities, optimised its sales channels, excavated the production capacity of the Phase 1 Production Plant¹ and actively enriched its product mix by focusing on the mid-to-high-end pearlescent pigment products, whereby maintaining a steady business growth during the year. The Group continued to expand the production capacity by constructing the Phase 2 Production Plant², the first stage of which has been completed and has commenced the trial production, which is expected to increase the Group's annual production capacity by 6,000 tonnes. The Group has also successfully developed a number of synthetic mica-based new energy battery insulation and flame retardant materials. The high temperature resistance parameter reaches 1,150°C and the high voltage breakdown resistance parameter reaches 20KV/mm. The Group is actively developing new lines of products and new applications of its existing products. The Group has also issued convertible bonds in the amount of CNH300 million, the proceeds of which will be used for the investment opportunities in the pearlescent pigment industry.

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1. The production plant currently used by the Group for the production of pearlescent pigment products and functional mica filler and related products 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., and the designed annual production capacity of 18,740 tonnes of pearlescent pigment products and the designed annual production capacity of 12,470 tonnes of synthetic mica.
 2. The production plant with an estimated total site area of 148,713.7 sq.m. for the production of pearlescent pigment products with an estimated designed annual production capacity of 30,000 tonnes.

The Group's pearlescent pigment products may 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 colourants in various applications and industries, including industrial coatings, plastics, textiles and leather, cosmetics and automotive coatings. As of 31 December 2022, the Group offered four major categories of pearlescent pigment products under different product series with different colours, particle sizes and glossiness as follows:

- (a) 544 natural mica-based pearlescent pigment products under 17 series of different colours, texture and glossiness;
- (b) 362 synthetic mica-based pearlescent pigment products under 14 series of different colours, texture and glossiness;
- (c) 49 glass flake-based pearlescent pigment products under three series which has different transparency, refractive index and flake structure; and
- (d) 21 silicon oxide-based pearlescent pigment products under one series.

Favourable national policy

Since the implementation of the “14th Five-Year Plan” by the PRC government, the new and innovative material industry has received much attention and is one of the seven strategic emerging industries in China. The new and innovative material industry is considered to be a high-tech industry with significant development potential in the 21st century. The “14th Five-Year Plan” points to the research of high-end new and innovative materials and the development for production of the new and innovative material for the domestic consumption. Mica is one of the new and innovative materials in the industry promoted by the policy. In 2022, the synthetic mica was listed in the “Catalogue of Innovative Development of Industrial Foundation (2021 Edition)” (《產業基礎創新發展目錄(2021年版)》), which was compiled by the National Industrial Foundation Expert Committee under the guidance of the Chinese Academy of Engineering and the National Manufacturing Strategy Advisory Committee. The Ministry of Industry and Information Technology has named synthetic mica as one of the 18 key basic new and innovative materials in the project for strengthening industrial foundation (工業強基工程) and is categorised as a new energy material manufacturing and functional filler manufacturing sector of the strategic emerging industries. According to the “Classification of Strategic Emerging Industries (2018)” (No. 23 of the National Bureau of Statistics) (《戰略性新興產業分類(2018)》(國家統計局令第23號)), the mica-based pearlescent pigment products are another new functional materials which are categorised under the pigment manufacturing sector of the strategic emerging industries.

The National Standardisation Technical Committee of Paints and Pigments (全國塗料和顏料標準化技術委員會) has promulgated a number of new industry standards, including “UV-curable paints for cosmetic packaging materials”, “Paints for rail vehicles” and “Self-peeling anti-fouling paints for marine use”, which stipulate the requirements, testing methods and inspection standards for paints. Based on the good hydrophilicity and safety of the pearlescent pigment products, the promulgation of the industry standards will further increase the applications of pearlescent pigment products in the field of cosmetic and automotive coatings.

The “Announcement of the Ministry of Finance and the State Taxation Administration on Increasing the Export Tax Refund Rates for Certain Products” (《關於提高部分產品出口退稅率的公告》) sets forth the pigments products with their basic components as one of the commodities for export tax refund. The export tax refund rate for pearlescent pigment products has been increased to 13%. The increase in the export tax refund rate for the pearlescent pigment products will promote the export of the sales of pearlescent pigment products and further enhance international competitiveness of the pearlescent pigment products.

High industry growth

According to the Euromonitor and Foresight Industry Research Institute, China's colour cosmetics market reached RMB71.595 billion in 2022, represents a year-on-year increase of 9.05%. The market is expected to reach RMB111.3 billion in 2028, with an average annual growth rate of 7.5% from 2023 to 2028. Benefiting from such rapid growth, the upstream pearlescent pigment market has tremendous potential for further development.

Stable business development for the Group

During the FY2022, the Group's pearlescent pigment products continued to be used in a wide range of downstream applications, including industrial coatings, plastics, textiles and leather, cosmetics, ceramics and, more importantly, automotive coatings. An analysis of the revenue generated from the different types of pearlescent pigment products of the Group is set forth in the paragraphs under "Financial Review" below. Accordingly, during the FY2022, the Group's revenue amounted to RMB916.8 million, representing an increase of 36.9% from RMB669.7 million, as compared to the FY2021. This shows that the Group's business continued to grow steadily in the FY2022.

Investment in research and development

During the FY2022, the Group continued to increase its investment in research and development and expansion of the product offerings of a number of new pearlescent pigment products.

During the FY2022, the Group has successfully applied three new patents and has submitted six patent applications. The Group has also registered 20 new trademarks. As of 31 December 2022, the Group had a total of 36 patents, 33 registered trademarks and four software copyrights.

During the FY2022, the Group launched 46 new natural mica-based pearlescent pigment products, 51 new synthetic mica-based pearlescent pigment products, 13 new glass flake-based pearlescent pigment products and three new silicon oxide-based pearlescent pigment products. As of 31 December 2022, the Group offered 544 natural mica-based, 362 synthetic mica-based, 49 glass flake-based and 21 silicon oxide-based products, and hence, the Group had 976 products offered to its customers.

With the joint efforts of the Chesir Pearlescent New Material Research and Development Centre (七色珠光新材料聯合研發中心) and the University of Zhejiang, the Group has developed a number of synthetic mica-based new energy battery insulation and flame retardant materials, with a high temperature resistance parameter reaches 1,150°C and a high voltage breakdown resistance parameter reaches 20KV/mm. The Group is actively developing new lines of products and applications.

Seize business opportunities to further strengthen market position

During the FY2022, the Group continued to expand its production capacity. The first stage of the Phase 2 Production Plant has been completed and has commenced the trial production. The Group's production capacity will be further enhanced and is expected to increase by 6,000 tonnes per annum with the new production plant to focus on the production of high-end automotive and cosmetic grade pearlescent pigment products.

This project is a major project in Guangxi and a “Double Hundred and Double New (雙百雙新)” project, and it is also a green production base built using the world's most advanced technology and the highest environmental standards. The Phase 2 Production Plant has adopted advanced production equipment and has established an advanced production management platform data centre to integrate business information, physical information and management control information, realising intensive, process-oriented, standardised and intelligent management. Completion and commissioning of the project has further enhanced the competitiveness of the Group and paved a solid foundation for the future market share expansion of the Group.

After the completion of the acquisition of CQV, which is expected to be second quarter of 2023, the Group will have a more stringent research and development capability, increase its international market share, enrich its product applications, as well as enhance its competitive edge over its competitors.

The Group has issued the convertible bonds in the amount of CNH300 million, the proceeds of which will be used for investment opportunities in the pearlescent pigment industry. The use of the net proceeds from the issuance of the convertible bonds is set forth in the paragraphs under “Use of the net proceeds from the issue of the Tranche A Convertible Bond” below.

FINANCIAL REVIEW

The following sets forth the management discussion and analysis of the performance of the Group during the FY2022. Comparisons have also been made to the performance of the Group during the FY2021. Please refer to note 2 to this annual results announcement on the bases upon which the results of the Group are prepared for the FY2022 and the FY2021.

Revenue

The Group is principally engaged in the business of the production and sales of pearlescent pigment products and functional mica filler and related 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 to its customers, a range of pearlescent pigment 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			
	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Pearlescent pigment products				
– Natural mica-based.....	412,954	45.0	347,936	51.9
– Synthetic mica-based.....	378,814	41.3	271,766	40.6
– Glass flakes-based.....	51,720	5.7	44,987	6.7
– Silicon oxide-based.....	7,211	0.8	3,018	0.5
	850,699	92.8	667,707	99.7
Functional mica filler ⁽¹⁾	64,351	7.0	2,020	0.3
New energy material ⁽²⁾	1,770	0.2	—	—
Total	916,820	100.0	669,727	100.0

Notes:

- (1) The Group produces functional mica filler of different granule sizes, which can be used by the Group for the production of synthetic mica-based pearlescent pigment products. The functional mica filler 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 mica filler, insulating materials, refractory materials and nickel-hydrogen batteries.
- (2) The Group had developed a number of synthetic mica-based new energy battery insulation and flame retardant materials. The high temperature resistance parameter reaches 1,150°C and a high voltage breakdown resistance parameter reaches 20KV/mm.

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 pearlescent pigment products for their own use and production purpose.

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			
	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Trading company customers				
– Pearlescent pigment products .	698,412	76.2	551,408	82.3
– Functional mica filler	57,670	6.3	244	—*
– New energy material	—	—	—	—
	756,082	82.5	551,652	82.3
End user customers				
– Pearlescent pigment products .	152,287	16.6	116,299	17.4
– Functional mica filler	6,681	0.7	1,776	0.3
– New energy material	1,770	0.2	—	—
	160,738	17.5	118,075	17.7
Total	916,820	100.0	669,727	100.0

* Value insignificant

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

	Year ended 31 December			
	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
The PRC.....	896,477	97.8	641,657	95.8
Asia ⁽¹⁾	6,921	0.7	10,446	1.6
Europe ⁽²⁾	6,455	0.7	8,914	1.3
Africa ⁽³⁾	6,967	0.8	8,403	1.3
South America ⁽⁴⁾	—	—	307	—*
Total	916,820	100.0	669,727	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, Singapore and Vietnam.
- (2) European countries include Estonia, Belgium, Poland, Germany, Russia, Ukraine, Finland, Netherlands, Serbia, Switzerland, Spain, Italy and United Kingdom.
- (3) Countries in Africa include Algeria, Morocco, Tunisia and Egypt.
- (4) Countries in South America include Brazil and Chile.

Sales of pearlescent pigment products

The revenue generated from sales of pearlescent pigment products increased to RMB850.7 million in the FY2022 from RMB667.7 million in the FY2021, representing an increase of RMB183.0 million or 27.4%. Sales of natural mica-based pearlescent pigment products increased by RMB65.0 million, or 18.7%, as compared to the same period in the FY2021. The Group expanded its sales product mix of natural mica-based pearlescent pigment products from 498 in the FY2021 to 544 in the FY2022. Sales of synthetic mica-based pearlescent pigment products increased by RMB107.0 million, or 39.4%, as compared to the same period in the FY2021. The Group expanded its sales product mix of synthetic mica-based pearlescent pigment products from 311 in the FY2021 to 362 in the FY2022. Sales of glass flake-based pearlescent pigment products increased by RMB6.7 million, or 15.0%, as compared to the same period in the FY2021. The Group expanded its sales product mix of glass flake-based pearlescent pigment products from 36 in the FY2021 to 49 in the FY2022. Sales of silicon oxide-based pearlescent pigment products increased by RMB4.2 million, or 138.9%, as compared to the same period in the FY2021. The Group expanded its sales product mix of silicon oxide-based pearlescent pigment products from 18 in the FY2021 to 21 in the FY2022.

Sales of functional mica filler

The sales of functional mica filler increased to RMB64.4 million in the FY2022 from RMB2.0 million in the FY2021, representing an increase of RMB62.4 million or 3,085.7%. The increase was due to the increasing demand for the synthetic mica-based pearlescent pigment products and the increase in the production of synthetic mica-based pearlescent pigment products as a result of technological improvement and the commercial operation of the additional equipment of Phase 1 Production Plant.

Sales of new energy material

New energy material produced by the Group included the synthetic mica-based new energy battery insulation and flame retardant materials. The sales of new energy material recorded RMB1.7 million in the FY2022 (FY2021: Nil).

Cost of goods sold

The cost of goods sold increased by 38.1% from RMB329.7 million in the FY2021 to RMB455.2 million in the FY2022. The increase in cost of goods sold was mainly due to the increase in the sales volume of pearlescent pigment products by 7.7% from 16,680 tonnes in the FY2021 to 17,958 tonnes in the FY2022 and the increase in the sales volume of functional mica filler by 4,130.0% from 50 tonnes in the FY2021 to 2,115 tonnes in the FY2022.

Gross profit and gross profit margin

The gross profit increased to RMB455.3 million in the FY2022 from RMB334.6 million in the FY2021, representing an increase of 36.1%. 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 FY2022 was 49.7%, as compared to 50.0% in the FY2021. The difference in the gross profit margin in the FY2022 and the FY2021 was insignificant.

Other income and other gains and losses

The amount of other income and other gains and losses in the FY2022 was RMB18.3 million, as compared to RMB7.2 million in the FY2021. The increase was mainly due to the interest income of RMB11.0 million generated from fixed deposits placed by the Group in the FY2022.

Impairment losses for trade and other receivables, net

The amount of impairment losses for trade and other receivables, net in the FY2022 was RMB3.5 million, as compared to RMB2.7 million in the FY2021.

Selling expenses

The selling expenses increased to RMB56.7 million in the FY2022 from RMB34.4 million in the FY2021, representing an increase of 64.6%. The increase in selling expenses was mainly attributable to an increase in the Group's sales staff cost from RMB7.5 million in the FY2021 to RMB14.2 million in the FY2022, representing an increase of RMB6.7 million; and an increase in marketing and promotion expenses from RMB9.2 million in the FY2021 to RMB16.3 million in the FY2022, representing an increase of RMB7.1 million.

Administrative and other operating expenses

The administrative and other expenses increased to RMB128.0 million in the FY2022 from RMB102.1 million in the FY2021, representing an increase of 25.4%. The increase was primarily due to the increase in the expenses incurred on research and development activities of RMB23.5 million. In the FY2022, the Group spent RMB71.9 million for its research and development activities, as compared to RMB48.4 million in the FY2021.

Finance costs

The finance costs decreased to RMB11.0 million in the FY2022 from RMB11.4 million in the FY2021, representing a slightly decrease of 3.5%. Such decrease was primarily due to the decrease in interest payments as a result of the repayment of bank loans and other borrowings of RMB1.8 million in the FY2022.

Income tax expense

The income tax expense increased to RMB38.0 million in the FY2022 from RMB22.0 million in the FY2021. The increase was primarily due to the increase in the profit before tax in the FY2022.

Profit for the year

As a result of the foregoing, the profit for the FY2022 amounted to RMB236.5 million, representing an increase of 39.9%, as compared with RMB169.1 million in the FY2021. Net profit margin for the FY2022 and the FY2021 was 25.8% and 25.3% respectively.

Use of the net proceeds from the Global Offering

The shares (the “**Shares**”) of the Company have been listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 16 July 2021. 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 (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, respectively.

The table below sets forth the intended use of the net proceeds from the Global Offering and actual utilisation amounts for the FY2022:

Prescribed usage	Allocation of	Percentage	Remaining	Amount	Remaining	Expected
	the net		balance as of	utilised up to	balance as of	
	proceeds	to the total	31 December	31 December	31 December	timeline
	from the	net proceeds	2021	2022	2022	for the
	Global					intended use
	Offering					
	<i>HK\$' million</i>	<i>%</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	
Construction of the Phase 2 Production Plant	539.5	55.6	539.5	197.8	341.7	By the first quarter of 2025
Construction of the Luzhai Synthetic Mica Plant	330.8	34.1	330.8	— ⁽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	65.2	21.0 ⁽²⁾	44.2	By end of 2023
Sales and marketing activities and building sales network	31.0	3.2	28.5	10.3	18.2	By end of 2023
Total	970.2	100.0	964.0	229.1	734.9	

Notes:

- (1) The net proceeds from the Global Offering that would be used for the construction of a synthetic mica plant in Luzhai (the “**Luzhai Synthetic Mica Plant**”) amounted to HK\$330.8 million. During the FY2022, however, the Group did not use any of such amount for the purpose primarily due to certain structures built on the land by a corporation could not be relocated as scheduled. The relocation arrangement was completed in December 2022 and the construction has been resumed. 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 the FY2022 would be used in 2023 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 Luzhai Synthetic Mica Plant as originally planned.

- (2) The net proceeds from the Global Offering that would be used for the investment in research and development facilities and testing equipment of the research and development centre amounted to HK\$68.9 million. During the FY2022, the Group is still in the process of identifying the facilities and testing equipment required for the Research and Development Centre as a result of utilising the facilities and testing equipment of the Chesir Pearlescent New Material Research and Development Centre. 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 the FY2022 would be used in by the end of 2023 for the same purpose. There are no other changes in the use of the net proceeds as originally planned.

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

Use of the net proceeds from the issue of the Tranche A Convertible Bond

On 28 December 2022, the Company entered into the subscription agreement with Hong Kong Boyue International Investment Fund Co., Limited (the “**Subscriber**”), pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe and pay for, the 3.50% coupon convertible bonds (the “**Convertible Bonds**”) in the aggregate principal amount up to CHN500.0 million. The Convertible Bonds have an initial conversion price of HK\$7.6 per Share and are convertible into Shares. On 30 December 2022, the Company completed the issue of the Tranche A Convertible Bonds in the principal amount of CHN300.0 million to the Subscriber. The amount of the net proceeds received by the Company from the issue of the Tranche A Convertible Bond amounted to CHN300.0 million which has received in 30 December 2022. Further details of which are disclosed in the announcements of the Company dated 28 December 2022 and 30 December 2022, respectively.

The table below sets forth the intended use of the net proceeds from the issue of the Tranche A Convertible Bond and the actual utilisation amount for the FY2022:

Prescribed usage	Allocation of the net proceeds from the issue of the Tranche A Convertible Bond		Amount utilised up to 31 December 2022	Remaining balance as of 31 December 2022	Expected timeline for the intended use
	CHN' million	Percentage to the total net proceeds	CHN' million	CHN' million	
Investment opportunities..... within the pearlescent pigments and synthetic mica industry	300.0	100.0	—	300.0	By end of 2023

As of the date of this announcement, the unutilised balance of the net proceeds from the issue of the Tranche A Convertible Bond are deposited in a licensed bank in the PRC.

BUSINESS OUTLOOK

Despite the uncertainty caused by the COVID-19 pandemic and the international geopolitical conflicts in 2022, the Chinese government has relaxed the restrictions and the nation-wide quarantine measures on the COVID-19 pandemic for the purpose of bringing the society back to the normal developments. The Group will follow the national development strategy, maintain strategic stability and insist on seeking progress in the midst of stability and challenges. We will continue to adhere to our mission of “Create Beautiful Colours for the World through Dedication of Premium Quality Products” (奉獻精品,為世界創造美麗色彩) and uphold our corporate value of “Integrity, Innovation, Leadership and Harmony” (誠信、創新、領先、和諧) to promote the sustainable development of the Group’s business by the following strategies:

Growth in the pearlescent pigment industry

The Directors expect that the penetration of the pearlescent pigment products in various industrial applications will increase. According to a research report made by Frost & Sullivan, the global automotive pearlescent pigment market will reach RMB4.5 billion by the end of 2025, representing a compound annual growth rate of 47.1%, while the global cosmetics pearlescent pigment market will reach RMB8.7 billion, representing a compound annual growth rate of 32.8%. The Directors are optimistic about the long-term prospects of the industry.

Development of new sales channels

The Group will actively expand its combined offline and online marketing activities to promote the newly launched and other pearlescent pigment products. The Group actively organises or participates in new product launches, exhibitions and technical exchange sessions. In addition, the Group has established a marketing centre in Shanghai and set up an online marketing team to carry out online marketing and brand promotion through short video platforms, such as Tiktok (抖音) and Weixin (微信視頻號).

Increase investment in research and development

In line with the production and market positioning of the Phase 2 Production Plant, the research and development department of the Group has focused on the development of automotive weathering grade, cosmetic grade and functional pearlescent pigment products. In

addition, the Group has also made significant achievements in the research and development of synthetic mica-based new energy material products. The Company and the University of Zhejiang will continue to strengthen the cooperations in industry, academia and research and will continue to enhance the capability of independent innovation, in order to achieve the goal of “building a world-class joint research and development platform for new materials and intelligent manufacturing”.

New production capacity of the Phase 2 Production Plant

To further increase the Group’s production capacity, the Group will continue to complete the construction of the Phase 2 Production Plant and the Luzhai Synthetic Mica Plant¹ as scheduled. The first stage of the Phase 2 Production Plant has been completed and has commenced the trial productions, which is expected to increase annual production capacity by 6,000 tonnes. The Group will also adjust its sales strategy in accordance with the increase in production capacity to ensure the smooth sale of the products produced.

Capture new business opportunities

The Group will make full use of the capital market platform to implement the strategic initiative of “Endogenous Development and Outward Expansion” (內源式發展與外延式擴張) to accelerate the Group’s various strategic plans and to be engaged in merger and acquisition transactions in a timely manner in order to accelerate the business expansion of the Group. The Group has issued the convertible bonds in the amount of CNH300 million, the proceeds from which will be used for the investment opportunities within the pearlescent materials and synthetic mica industry. In addition, on 27 January 2023, the Group entered into the share purchase agreements to purchase shares in CQV. Details of the acquisition are set forth in the paragraphs under “Subsequent Event” below. The acquisition is expected to complete in the second quarter of 2023, which provides a good opportunity for the Group to tap on opportunities in and expand its business presence in the international pearlescent pigment industry. The Group can leverage on the experience, technology and market presence of CQV to increase its market share, enhance its product offerings and thereby increase the overall competitiveness of the Group. The Group will continue to seek overseas investment opportunities by engaging in merger and acquisition activities that offer growth potential and enhance shareholder value.

¹ The production plant 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.

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity and indebtedness

The Group's business operation is generally financed by its internal financial resources and bank loans and other borrowings.

As of 31 December 2022 and 2021, the restricted bank balances and the bank and cash balances amounted to RMB1,882.7 million and RMB1,605.5 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 2022 was mainly due to the increase in the cash generated from operating activities and the issue of the Tranche A Convertible Bond.

As of 31 December 2022 and 2021, the borrowings amounted to RMB203.3 million and RMB157.9 million, respectively. The increase in the borrowings was attributable to the new bank loans and other borrowings of RMB177.2 million, offset by the repayment of bank loans and other borrowings of RMB135.2 million in 2022.

As of 31 December 2022, the Group had liability component of the convertible bond of RMB294.2 million (31 December 2021: Nil).

Gearing ratio

The gearing ratio (calculated as total liabilities divided by total equity) of the Group was 24.1% as of 31 December 2022 (31 December 2021: 11.2%). The increase in the gearing ratio was mainly due to the increase in total liabilities as a result of the issue of the Tranche A Convertible Bond.

Net asset value

As of 31 December 2022 and 2021, the net assets of the Group amounted to RMB2,543.3 million and RMB2,342.7 million, respectively. Net asset value per Share contributed to owners of the Company as of 31 December 2022 amounted to RMB1.98, as compared to RMB1.82 as of 31 December 2021.

Contingent liabilities

As of 31 December 2022, the Group did not have any significant contingent liabilities.

Pledge of assets

As of 31 December 2022, certain property, plant and equipment, and right-of-use assets with aggregate net book value of RMB139.7 million, as compared to RMB112.0 million as of 31 December 2021, were pledged to financial institutions as collaterals for bank borrowings.

CAPITAL STRUCTURE

During the FY2022, there has been no material change in the capital structure of the Company. The capital of the members of the Group comprises ordinary shares.

Information about the share options of the Company and details of changes in the share options granted by the Company for the FY2022 is set forth in the paragraph under “Share Option Scheme” below.

As of 31 December 2022, the Company had the convertible bonds in the aggregate principal amount of CHN300.0 million. The convertible bonds has an initial conversion price of HK\$7.6 per Share and are convertible into the Shares.

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 2022 and 2021, the capital commitments amounted to RMB441.9 million and RMB635.0 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.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in the paragraphs under “Use of the Net Proceeds from the Global Offering” and “Use of the Net Proceeds from the issue of the Tranche A Convertible Bond” below, the Group did not have any significant investment, material acquisition or disposal during the FY2022.

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 during the FY2022.

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 581 employees in the PRC and five employees in Hong Kong as of 31 December 2022 (31 December 2021: 501 and two, 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 and provided a mandatory provident fund scheme to employees in Hong Kong.

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.

SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) was approved and conditionally adopted pursuant to the resolutions passed by the Shareholders on 2 June 2021 for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. During the FY2022, no share options of the Company have been granted, exercised, cancelled or lapsed under the Share Option Scheme.

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 announcement, there is sufficient public float of not less than 25% of the Shares are in the hands of the public as required under The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

SUBSEQUENT EVENT

Acquisition of CQV Shares and CQV Treasury Shares

On 27 January 2023, (i) the Company, Chesir International Holdings Limited (“**Chesir International**”), a wholly owned subsidiary of the Company, Star Cheer Corporation Limited (“**Star Cheer**”), a wholly owned subsidiary of Chesir International, and Mr. CHANG Kil Wan (“**Mr. CHANG**”) entered into the share purchase agreement (the “**CQV Sale Shares A Agreement**”), pursuant to which Star Cheer has conditionally agreed to purchase, and Mr. CHANG has conditionally agreed to sell, 2,255,189 shares of CQV Co., Ltd. (“**CQV**”), a company incorporated in the Republic of Korea with limited liability on 20 October 2000 with its shares listed on the Korea Securities Dealers Automated Quotations (KOSDAQ: 101240), (ii) the Company, Chesir International, Star Cheer and Mr. LIM Kwang Su (“**Mr. LIM**”) entered into the share purchase agreement (the “**CQV Sale Shares B Agreement**”), pursuant to which Star Cheer has conditionally agreed to purchase, and Mr. LIM has conditionally agreed to sell, 873,163 shares of CQV, and (iii) the Company and CQV entered into the share purchase agreement (the “**CQV Treasury Shares Agreement**”), pursuant to which the Company has conditionally agreed to purchase, and CQV has conditionally agreed to sell, 1,175,576 treasury shares of CQV (collectively, the “**Acquisition**”).

The aggregate consideration for the Acquisition is KRW85.9 billion (equivalent to RMB465.7 million or HK\$531.6 million) which will be settled upon the closing of the Acquisition by way of (a) cash payment of KRW25.0 billion (equivalent to RMB135.5 million or HK\$154.8 million) and (b) allotment and issue of 47,106,546 new shares (the “**Consideration Shares**”) of the Company at the issue price of HK\$8.0 for each Consideration Share under the general mandate granted to the Directors by the Shareholders’ resolution on 24 June 2022.

Upon the closing of the Acquisition, the Company will hold directly and indirectly 42.45% of the issued shares of CQV and will be the single largest shareholder of CQV. CQV will then become a non-wholly owned subsidiary of the Company with the financial performance and position to be consolidated into the accounts of the Group by reason of the Company having gained control over CQV and the composition of the board of directors of CQV.

Further details of the Acquisition are disclosed in the announcement of the Company dated 27 January 2023.

Save as disclosed above, there was no significant event affecting the Group which occurred after 31 December 2022 and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company’s corporate governance practices are based on the principles and code provisions as contained in the Corporate Governance Code (the “**CG Code**”) set forth in Part 2 of Appendix 14 to the Listing Rules and the Company has adopted the CG Code as its own code of corporate governance. The CG Code has been applicable to the Company during the FY2022.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. SU Ertian (“**Mr. SU**”), 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-balances 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. Save for the above deviation, the Board is of the view that the Company has complied with the applicable code provisions as set forth in the CG Code for the FY2022. The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set forth in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiries with all the Directors, they have confirmed their compliance with the required standard as set forth in the Model Code during the FY2022.

AUDIT COMMITTEE REVIEW

The Company has established an audit committee (the “**Audit Committee**”), comprising three independent non-executive Directors namely, Mr. HUI Chi Fung, Professor HAN Gaorong and Mr. LEUNG Kwai Wah Alex. Mr. HUI Chi Fung is the Chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and risk management and internal control systems of the Group and provide comment and advice to the Board. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the FY2022.

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 2022.

FINAL DIVIDEND

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 (the “**Shareholders**”) of the Company. 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 Law of the Cayman Islands, the Articles and any other applicable laws, rules and regulations.

The Board has decided not to declare and pay any final dividend for the FY2022 (FY2021: HK3.5 cents for each Share).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting will be held on Tuesday, 27 June 2023. The register of members of the Company will be closed from Wednesday, 21 June 2023 to Tuesday, 27 June 2023, 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 transfer documents accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 20 June 2023.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the FY2022 as set forth in this preliminary announcement have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set forth in the Group's preliminary audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by RSM Hong Kong on this preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the FY2022 containing all the information required by Appendix 16 to the Listing Rules and other applicable laws and regulations will be despatched to the Shareholders and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chesir.net) in due course.

By order of the Board

Global New Material International Holdings Limited

SU Ertian

Chairman and Chief Executive Officer

Hong Kong, 27 March 2023

As of the date of this announcement, the Board comprises Mr. SU Ertian (Chairman and Chief Executive Officer), Mr. JIN Zengqin, Mr. ZHOU Fangchao, Mr. BAI Zhihuan (Vice President) and Ms. ZENG Zhu as executive Directors, Mr. HU Yongxiang as non-executive Director and Mr. HUI Chi Fung, Professor HAN Gaorong and Mr. LEUNG Kwai Wah Alex as independent non-executive Directors.