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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The Board is pleased to announce the interim results of the Group for the 1H2022 as follows:

- Revenue amounted to RMB382.0 million, representing an increase of 24.4%, as compared to RMB307.0 million during the 1H2021.
- Gross profit amounted to RMB195.6 million, representing an increase of 20.8%, as compared to RMB161.9 million during the 1H2021; and the gross profit margin for the 1H2022 was 51.2%, as compared to 52.7% during the 1H2021.
- Profit attributable to the owners of the Company amounted to RMB106.3 million, representing an increase of 12.9%, as compared to RMB94.1 million during the 1H2021; but the net profit margin decreased to 29.0%, as compared to 32.0% during the 1H2021.

The Board has decided not to declare and pay any interim dividend for the 1H2022 (1H2021: Nil).

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 interim results of the Group for the six months ended 30 June 2022 (the “**1H2022**”). The following sets forth the unaudited condensed consolidated interim results of the Group for the 1H2022 and the comparative figures for the six months ended 30 June 2021 (the “**1H2021**”):

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Unaudited Six months ended 30 June	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	382,049	307,027
Cost of goods sold		(183,488)	(143,084)
Sales related tax and auxiliary charges		(2,946)	(2,009)
Gross profit		195,615	161,934
Other income and other gains and losses		3,304	4,425
Reversals of impairment losses on trade and other receivables		43	3,435
Selling expenses		(18,516)	(12,469)
Administrative and other operating expenses		(45,558)	(40,909)
Profit from operations		134,888	116,416
Finance costs		(4,961)	(6,073)
Profit before tax		129,927	110,343
Income tax expense	5	(19,150)	(12,162)
Profit for the period	6	110,777	98,181
Attributable to:			
Owners of the Company		106,289	94,115
Non-controlling interests		4,488	4,066
		110,777	98,181
Earnings per share	8		
– Basic (RMB)		0.09	0.11
– Diluted (RMB)		0.09	0.11

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	110,777	98,181
Other comprehensive income:		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	—	(1)
Other comprehensive income for the period, net of tax	—	(1)
Total comprehensive income for the period	110,777	98,180
Attributable to:		
Owners of the Company	106,289	94,114
Non-controlling interests	4,488	4,066
	110,777	98,180

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As at 30 June 2022	Audited As at 31 December 2021
	Note	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	9	630,891	571,196
Right-of-use assets		65,237	66,237
Deposits paid for acquisition of property, plant and equipment		184	184
Deferred tax assets		1,190	1,190
Total non-current assets		697,502	638,807
Current assets			
Inventories		142,360	101,815
Trade receivables	10	245,437	237,979
Deposits, prepayments and other receivables		10,695	20,309
Restricted bank deposits		—	40,000
Bank and cash balances		1,644,188	1,565,463
Total current assets		2,042,680	1,965,566
TOTAL ASSETS		2,740,182	2,604,373

		Unaudited	Audited
		As at	As at
		30 June	31 December
	Note	2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	12	99,319	99,319
Reserves		2,176,459	2,070,170
		2,275,778	2,169,489
Non-controlling interests		177,652	173,164
Total equity		2,453,430	2,342,653
LIABILITIES			
Non-current liabilities			
Lease liabilities		1,111	1,401
Deferred revenue		3,179	3,903
Deferred tax liabilities		2,992	1,369
Total non-current liabilities		7,282	6,673
Current liabilities			
Bank loans and other borrowings		160,291	157,889
Lease liabilities		605	629
Trade payables	11	68,479	37,563
Accruals and other payables		41,132	56,520
Contract liabilities		528	13
Deferred revenue		1,448	1,448
Current tax liabilities		6,987	985
Total current liabilities		279,470	255,047
TOTAL EQUITY AND LIABILITIES		2,740,182	2,604,373

NOTES

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2021.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies applied in the condensed consolidated financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2021. In the current period, the Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2022 but they do not have a material effect on the Group’s consolidated financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing the condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group has carried on a single business in a single geographical location, which is manufacturing and sales of pearlescent pigment products and synthetic mica powder in the People's Republic of China (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:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
The PRC	369,167	295,441
Others	12,882	11,586
Total	382,049	307,027

4. REVENUE

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers.

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue from contracts with customers		
within the scope of IFRS 15		
Disaggregated by major products		
Pearlescent pigment products	374,078	306,115
Synthetic mica powder	7,971	912
Total	382,049	307,027

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

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current tax - PRC		
Provision for the period	16,548	12,141
Under-provision in prior period	979	21
	17,527	12,162
Deferred tax	1,623	—
	19,150	12,162

Under the two-tiered Profits Tax regime, the first HK\$2 million of profits of 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 1H2022 (1H2021: 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 1H2022 (1H2021: 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 1H2022 and the 1H2021, respectively.

The income tax expense for the 1H2022 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.

Guangxi Chesir Pearl Material Co., Ltd. (廣西七色珠光材料股份有限公司) (“**Chesir Pearl**”) obtained the High and New Technology Enterprise Certificate to entitle to a preferential tax rate of 15% for the PRC Enterprise Income Tax during the 1H2022 (1H2021: 15%), subject to annual review by the relevant authority.

6. PROFIT FOR THE PERIOD

The Group's profit for the period is arrived at after charging/(crediting):

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Depreciation on property, plant and equipment	15,567	11,610
Depreciation on right-of-use assets	998	1,004
Research and development expenditures	23,702	17,966
Cost of inventories sold	183,488	143,084
Reversals of impairment losses on trade and other receivables	(43)	(3,435)
Listing expenses	—	8,608
Operating lease charge	2,685	477

7. DIVIDENDS

The Board of Directors has decided not to declare and pay any interim dividend for the 1H2022 (1H2021: Nil).

On 24 June 2022, a final dividend for the year ended 31 December 2021 of 3.5 HK cents per ordinary share has approved.

8. EARNINGS PER SHARE

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

	<u>Six months ended 30 June</u>	
	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<u>106,289</u>	<u>94,115</u>
	<u>Six months ended 30 June</u>	
	<u>2022</u>	<u>2021</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Number of shares		
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation	<u>1,191,763,586</u>	<u>872,021,586</u>

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for the six months ended 30 June 2021 has been adjusted for the effect of the Capitalisation Issue as more fully explained in note 12(a).

9. PROPERTY, PLANT AND EQUIPMENT

During the 1H2022, the Group acquired property, plant and equipment of approximately RMB75,262,000 (1H2021: RMB83,425,000).

10. TRADE RECEIVABLES

The aging analysis of trade receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of allowance, is as follow:

	At 30 June 2022	At 31 December 2021
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Audited)</i>
0 to 90 days	196,842	190,817
91 to 180 days	48,469	47,160
181 to 365 days	30	—
Over 365 days	96	2
	<u>245,437</u>	<u>237,979</u>

11. TRADE PAYABLES

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

	At 30 June 2022	At 31 December 2021
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Audited)</i>
0 to 90 days	67,820	36,695
91 to 180 days	272	226
181 to 365 days	108	374
Over 365 days	279	268
	<u>68,479</u>	<u>37,563</u>

12. SHARE CAPITAL

	<u>Number of shares in issue</u>	<u>Authorised</u> <i>HK\$'000</i>	<u>Issued and fully paid</u> <i>RMB'000</i>
Ordinary shares of HK\$0.1 each			
At 1 January 2021 (Audited)	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 issued under Over-allotment			
(note (c))	29,068,000	—	2,414
At 31 December 2021 (Audited), 1 January 2022 (Unaudited) and 30 June 2022 (Unaudited)	<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 Company’s prospectus dated 30 June 2021 (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.

- (b) 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.
- (c) 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.

13. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2022 (as at 31 December 2021: Nil).

14. CAPITAL COMMITMENTS

	At 30 June 2022	At 31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Contracted but not provided for:		
Property, plant and equipment	565,303	635,046

BUSINESS REVIEW

Since the beginning of 2022, in the face of the combined effects of the unprecedented transformation in a century and the COVID-19 pandemic, together with the global inflation and the geopolitical conflicts, the global economy has struggled to recover and faced complicated risks and challenges and volatile conditions. As part of the policies and measures to stabilise the economy have been implemented and became effective at a faster pace, China's GDP growth during the first half of the year has increased by 2.5% year-on-year, including 0.4% in the second quarter of 2022. Thus, the economy saw a steady recovery progress. During the 1H2022, the consumer price index has increased by 1.7 % year-on-year, significantly lower than the price increases in certain European countries and the United States. At the same time, the per capita disposable income in China has increased by 3% year-on-year, which is higher than the economic growth rate. Although affected by the overall global economic conditions, the pearlescent material industry has maintained a steady growth due to certain favourable factors, such as increasing range of applications and the support from the national industrial policy.

Under the leadership of the Directors, the Group has adopted various measures and has been developing its business firmly towards its predetermined goals. During the 1H2022, the revenue of the Group amounted to RMB382.0 million, representing an increase of 24.4% as compared to the 1H2021, and the net profit amounted to RMB110.8 million, representing an increase of 12.8% as compared to the 1H2021. During the 1H2022, the Company seized market opportunities and further upgraded and optimised its sales channels, excavated the capacity of the Phase 1 Production Plant¹ and actively adjusted the product mix, whereby maintaining a sustainable and steady development during the 1H2022. The construction of the Phase 2 Production Plant² is in progress. The installation of the first phase of the Phase 2 Production Plant and the production lines have been substantially completed, which are expected to be put into commercial operation in the third quarter of 2022. The research and development of new energy battery materials of the Company is also in progress as planned. The research and development of synthetic mica-based new energy battery materials has achieved regular progress. The pre-application tests are conducted smoothly. The high

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- (1) The production plant currently used by the Group 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 18,740 tonnes of pearlescent pigment products and designed annual production capacity of 12,470 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.

temperature resistance parameter of the tested products reaches 1,150 °C, and the high voltage resistance breakdown parameter reaches 20KV/mm, indicating that they are of excellent product quality.

PRC national policy support

Since the inception of the 14th Five-Year Plan, the new material industry has attracted much attention from the market, and it is one of the seven strategic emerging industries in the PRC. The new material industry is considered a high-tech industry with high development potential in the 21st century and has a significant impact on future development. The 14th Five-Year Plan promoted the research and development and manufacturing of high-end new materials and the demand for domestic substitution. As one of the basic materials in the new material industry, mica is currently used in the industry expressly under the policies. The synthetic mica is listed by the Ministry of Industry and Information Technology of the PRC as one of the new materials for strengthening the industrial basic capabilities, which is used in the manufacturing of new energy materials and functional fillers in the strategic emerging industries. According to the “Classification of Emerging Sectors of Strategic Importance (2018) (戰略性新興產業分類 (2018))” (Order No. 23 of the National Bureau of Statistics), mica pearlescent pigments that are classified as other new functional materials belong to the pigment manufacturing sector in the strategic emerging industries. The market size of the traditional pigments that may be replaced by pearlescent materials exceeds RMB200 billion, while the current market share of the Group of pearlescent pigments is only 11%.

New industry standards, such as the “UV-curable Coatings for Cosmetic Packaging Materials”, “Coatings for Railway Vehicles” and “Marine Fouling Self-peeling Anti-fouling Coatings”, which are promulgated by the National Technical Committee on Paints and Pigments of Standardisation Administration, set out the requirements, testing methods and the inspection rules of coatings. The release of all these new industry standards further enhance the applications of pearlescent pigments in cosmetics and automotive coatings due to its hydrophilicity and safety.

According to the “Notice of Raising Tax Rebates for Certain Exports” jointly announced by the Ministry of Finance and the State Taxation Administration of the PRC, pigments and finished products made of pigments are included in the list of export goods entitling to tax rebates and that the export tax rebate rate of pearlescent pigments, an important part of pigments, has been increased to 13%. The increased export tax rebate rate for pearlescent materials is expected to promote the export of the pigment products and improve its competitiveness in the overseas markets.

High growth in terms of industry market size

According to the Frost & Sullivan Report, the global market size of the pearlescent materials has grown steadily over the past few years. In 2021, the global market size of the pearlescent materials amounted to RMB21.6 billion. It expects that the CAGR (compound annual growth rate) is 14.4% from 2022 to 2025 and the global market size of the pearlescent materials will reach RMB37.6 billion by 2025, in which the market size of synthetic mica-based pearlescent materials will reach RMB7.1 billion.

According to the Frost & Sullivan Report, the Group is the largest pearlescent pigment producer in the PRC by revenue in 2021 with a market share of 11.0%. In the global market, the Group is the fourth largest pearlescent pigment producer by revenue in 2021 with a market share of 3.09%. The Group's products are sold to the customers in China and more than 30 countries and territories in Asia, Europe, Africa and South America.

Steady progress in terms of the Group's business development

Comprehensive product portfolio to ensure customer demands

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 30 June 2022, the Group offered four principal categories of pearlescent pigment products under different product series with different colours, particle sizes and glossiness as follows:

- (a) 521 natural mica-based pearlescent pigment products in 17 series of different colours, textures and glossiness;
- (b) 333 synthetic mica-based pearlescent pigment products in 14 series of different colours, textures and glossiness;
- (c) 43 glass flake-based pearlescent pigment products in three series of different transparency, refractive index and flake structure; and
- (d) 18 silicon oxide-based pearlescent pigment products.

Continue to increase investment in research and development and research and development have generated exceptional results

The Group continued to increase the investment in technological research and development and expand the number of pearlescent pigment products offered. During the 1H2022, the Group newly launched 23 natural mica-based pearlescent pigment products, 22 synthetic mica-based pearlescent pigment products and seven glass flake-based pearlescent pigment products, bringing the total number of pearlescent pigment products offered by the Group to 915 as of 30 June 2022.

In addition, two patents were successfully obtained and three invention patent applications were submitted during the 1H2022. As of 30 June 2022, the Group had a total of 35 patented technologies, four software copyrights and 27 registered trademarks and was accredited as a “National Intellectual Property Superior Enterprise (國家知識產權優勢企業)” by China National Intellectual Property Administration.

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), which commenced operation in September 2021, has achieved progress in research and development with the joint efforts of both parties in the past year. At present, the research and development of battery separator materials, insulation materials and other aspects has achieved results, and a variety of synthetic mica-based new energy battery insulation and flame retardant materials have been developed. Some research and development products are undergoing pre-application testing with a number of new energy battery manufacturers and the laboratory of Zhejiang University, and the overall progress is smooth.

Capture market opportunities with the commencement of the Phase 2 Production Plant

During the 1H2022, the Group continued to expand the production capacity to further consolidate the market position. As of 30 June 2022, the construction of the first stage of the Phase 2 Production Plant has been substantially completed, and the plant and equipment have been installed and tested gradually. The first stage of the commercial production is expected to commence during the third quarter of 2022, with an expected increase of 6,000 tonnes of production capacity. The new plant will focus on the production of high-end automotive graded and cosmetic graded products.

This project is a major project in Guangxi and a “Double Hundred and Double New (雙百雙新)” project. It is a green production base built with global advanced technology and the highest environmental protection standards. The Phase 2 Production Plant has adopted advanced production equipment and established an advanced production management platform data center to realise the integration of business information, physical information and management control information, and realised intensive, procedural, standardised and intelligent management. The completion and operation of the project further improved the competitiveness of the Group and laid a solid foundation for the increase in the market share in the future.

FINANCIAL REVIEW

The following sets forth the management discussion and analysis of the performance of the Group during the 1H2022. Comparison has also been made to the performance of the Group during the 1H2021. Please refer to note 1 on the bases upon which the results of the Group are prepared for the 1H2022 and the 1H2021.

Revenue

The Group is principally engaged in the business of the production and sales of pearlescent pigment products and synthetic mica powder. 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:

	Six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Pearlescent pigment products				
– Natural mica-based	198,592	52.0	169,788	55.3
– Synthetic mica-based	149,493	39.1	113,161	36.9
– Glass flake-based	23,635	6.2	21,937	7.1
– Silicon oxide-based	2,358	0.6	1,229	0.4
	374,078	97.9	306,115	99.7
Synthetic mica powder⁽¹⁾	7,971	2.1	912	0.3
Total	382,049	100.0	307,027	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.

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

	Six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Trading company customers				
– Pearlescent pigment products	309,838	81.1	254,318	82.8
– Synthetic mica powder	—	—	143	—*
	309,838	81.1	254,461	82.8
End user customers				
– Pearlescent pigment products	64,240	16.8	51,797	16.9
– Synthetic mica powder	7,971	2.1	769	0.3
	72,211	18.9	52,566	17.2
Total	382,049	100.0	307,027	100.0

* *Value insignificant*

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

	Six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
PRC	369,167	96.7	295,441	96.2
Asia ⁽¹⁾	2,764	0.7	5,075	1.7
Europe ⁽²⁾	4,017	1.1	3,466	1.1
Africa ⁽³⁾	6,101	1.6	2,884	0.9
South America ⁽⁴⁾	—	—	161	0.1
Total	382,049	100.0	307,027	100.0

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, 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 RMB374.1 million during the 1H2022 from RMB306.1 million during the 1H2021, representing an increase of RMB68.0 million or 22.2%. Sales of natural mica-based pearlescent pigment products increased by RMB28.8 million, or 17.0%, as compared to the 1H2021. The Group expanded its sales product mix of natural mica-based pearlescent pigment products from 164 during the 1H2021 to 272 during the 1H2022. Sales of synthetic mica-based pearlescent pigment products increased by RMB36.3 million, or 32.1%, as compared to the 1H2021. The Group expanded its sales product mix of synthetic mica-based pearlescent pigment products from 187 during the 1H2021 to 312 during the 1H2022. Sales of glass flake-based pearlescent pigment products increased by RMB1.7 million, or 7.7%, as compared to the 1H2021. The Group expanded its sales product mix of glass flake-based pearlescent pigment products from 30 during the 1H2021 to 43 during the 1H2022. Sales of silicon oxide-based pearlescent pigment products increased by RMB1.1 million, or 91.9%, as compared to the 1H2021.

Sales of synthetic mica powder

The sales of synthetic mica powder increased to RMB8.0 million for the 1H2022 from RMB0.9 million for the 1H2021. 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.

Cost of goods sold

The cost of goods sold increased by 28.2% from RMB143.1 million for the 1H2021 to RMB183.5 million for the 1H2022. The increase in cost of goods sold was mainly due to the increase in the sales volume of pearlescent pigment products by 3.2% from 7,717 tonnes for the 1H2021 to 7,963 tonnes for the 1H2022 and the increase in the sales volume of synthetic mica powder by 751.5% from 22.6 tonnes for the 1H2021 to 192.45 tonnes for the 1H2022.

Gross profit and gross profit margin

The gross profit increased to RMB195.6 million during the 1H2022 from RMB161.9 million during the 1H2021, representing an increase of 20.8%. The increase in the amount of the gross profit was primarily due to the increase in the amount of revenue. The gross profit margin for the 1H2022 was 51.2%, as compared to 52.7% for the 1H2021. The difference in the gross profit margin for the 1H2022 and the 1H2021 was insignificant.

Other income and other gains and losses

The amount of other income and other gains and losses during the 1H2022 was RMB3.3 million, as compared to RMB4.4 million during the 1H2021. 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 RMB1.1 million during the 1H2022.

Reversals of impairment losses for trade and other receivables

The amount of reversals of impairment losses under the expected credit loss model during the 1H2022 was RMB43,000, as compared to RMB3.4 million during the 1H2021.

Selling expenses

The selling expenses increased to RMB18.5 million during the 1H2022 from RMB12.5 million during the 1H2021, representing an increase of 48.5%. The increase in the amount of selling expenses was mainly due to the increase in the rental expenses of the Group's sales offices of RMB2.55 million.

Administrative and other operating expenses

The administrative and other expenses increased to RMB45.6 million during the 1H2022 from RMB40.9 million during the 1H2021, representing an increase of 11.4%. The increase was primarily due to the increase in the expenses incurred on research and development activities of RMB5.7 million. During the 1H2022, the Group spent RMB23.7 million for its research and development activities, as compared to RMB18.0 million during the 1H2021.

Finance costs

The finance costs decreased to RMB5.0 million during the 1H2022 from RMB6.1 million during the 1H2021, representing a decrease of 18.3%. Such decrease was primarily due to the decrease in interest payments as a result of the repayment of other borrowings of RMB1.5 million during the 1H2022.

Income tax expense

The income tax expense increased to RMB19.2 million during the 1H2022 from RMB12.2 million during the 1H2021. The increase was primarily due to the increase in the profit before tax during the 1H2022.

Profit for the period

As a result of the foregoing, the profit for the 1H2022 amounted to RMB110.8 million, representing an increase of 12.8%, as compared with RMB98.2 million during the 1H2021. Net profit margin decreased to 29.0% for the 1H2022, as compared to 32.0% for the 1H2021.

BUSINESS OUTLOOK

Under the leadership of the Directors and the management, the Group will follow the PRC national development strategies, maintain the strategic focus, insist on making progress while maintaining stability and work together to overcome the difficulties amid the repeated outbreak of the COVID-19 pandemic and the uncertainty caused by international geopolitical conflicts during the 1H2022. The Group will continue to uphold the 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 adhere to the corporate value of “Integrity, Innovation, Leadership and Harmony (誠信、創新、領先、和諧)”, thereby promoting the sustainable development of the Group’s business by the following strategies:

Steady growth in pearlescent pigment industry

The Directors expect that the penetration rate of pearlescent pigment products in various industrial sectors will increase. According to Frost & Sullivan’s research report, 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.

Expand new sales and distribution channel actively

The Group will actively expand marketing activities offline and online to promote newly released pearlescent pigment products and other pearlescent pigment products. The Group will actively host or participate in new product launch meetings, trade fairs, technology exchange meetings and so on. In addition, the Group has established a marketing center in Shanghai and an online marketing team to carry out online marketing and brand popularisation on short video platforms such as TikTok and Weixin.

Continue to increase investments in research and development

As the first stage of the Phase 2 Production Plant is expected to commence commercial operation in the third quarter of 2022, based on the production and market positioning of the Phase 2 Production Plant, the Group's research and development initiatives will focus on the research and development of vehicle weather-resistant, cosmetic graded and functional pearlescent materials, for the purpose of preparing for the commercial operation of the Phase 2 Production Plant.

In addition, the research and development of synthetic mica-based new energy battery materials has made some progress at present. The pre-application tests are conducted smoothly. The high temperature resistance parameter of the tested products reaches 1,150 °C, and the high voltage resistance breakdown parameter reaches 20KV/mm, indicating that they are of excellent product quality.

Completion of the first stage of the Phase 2 Production Plant

To further enhance the Group's production capacity, the Group will complete the construction of the Phase 2 Production Plant and the Luzhai Synthetic Mica Plant³ as scheduled. The operation of the first stage of the Phase 2 Production Plant will be commenced in the third quarter of 2022, the production capacity of which is expected to be increased by 6,000 tonnes. The Group will also adjust the sales strategy based on the increase in production capacity to ensure the smooth sales of the products.

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.

Capture of new business opportunities

The Group will leverage the capital market platform fully in implementing the strategic measures of maintaining the balance between “organic growth with external expansion” and accelerate the implementation of the Group’s various strategic layout and accelerate the business expansion by engaging in merger and acquisition activities as and when appropriate.

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 “**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 (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 usage for the 1H2022:

Prescribed usage	Allocation of the net proceeds from the Global Offering and the Over-allotment Option		Remaining balance as of 31 December 2021	Amount utilised up to 30 June 2022	Remaining balance as of 30 June 2022	Expected timeline for the intended use
	Percentage to the total net proceeds	HK\$' million	HK\$' million	HK\$' million	HK\$' million	
Construction of the Phase 2 Production Plant	55.6	539.5	539.5	81.6	457.9	By the first quarter of 2025
Construction of the Luzhai Synthetic Mica Plant	34.1	330.8	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	7.1	68.9	65.2	0.3	64.9	By end of 2022
Sales and marketing activities and building sales network	3.2	31.0	28.5	3.3	25.2	By end of 2023
Total	100.0	970.2	964.0	85.2	878.8	

Note:

- (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 1H2022, 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 Group is liaising with the relevant government for accelerating the relocation arrangement and expects the construction can be resumed in the third quarter of 2022. 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 1H2022 would be used during the second 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 Luzhai Synthetic Mica Plant 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.

INTERIM DIVIDEND

The Board has decided not to declare and pay any interim dividend for the 1H2022 (1H2021: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity and indebtedness

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

As of 30 June 2022 and 31 December 2021, the restricted bank balances and the bank and cash balances amounted to RMB1,644.2 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 30 June 2022 was mainly due to the increase in the cash generated from operating activities.

As of 30 June 2022 and 31 December 2021, the borrowings amounted to RMB160.3 million and RMB157.9 million, respectively. The increase in the borrowings was attributable to the new other borrowings of RMB3.9 million, offset by the repayment of other borrowings of RMB1.5 million in 1H2022.

Gearing ratio

The gearing ratio (calculated as total liabilities divided by total equity) of the Group was 11.7% as of 30 June 2022 (31 December 2021: 11.2%). There was no significant difference in the gearing ratio as of 30 June 2022 and 31 December 2021.

Net asset value

As of 30 June 2022 and 31 December 2021, the net assets of the Group amounted to RMB2,453.4 million and RMB2,342.7 million, respectively. Net asset value per Share contributed to owners of the Company as of 30 June 2022 amounted to RMB1.91, as compared to RMB1.82 as of 31 December 2021.

Contingent liabilities

As of 30 June 2022, the Group did not have any significant contingent liabilities.

Pledge of assets

As of 30 June 2022, certain property, plant and equipment, right-of-use assets and cash deposits with aggregate net book value of RMB98.6 million, as compared to RMB112.0 million as of 31 December 2021, were pledged to financial institutions as collaterals for bills payables and bank and other borrowings.

CAPITAL STRUCTURE

During the 1H2022, 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 1H2022 is set forth in the paragraph under “Share Option Scheme” below.

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 30 June 2022 and 31 December 2021, the capital commitments amounted to RMB565.3 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.

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 INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in the paragraphs under “Use of the Net Proceeds from the Global Offering” in this announcement, the Group did not have any significant investment, material acquisition or disposal for the 1H2022.

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 553 employees in the PRC and two employees in Hong Kong as of 30 June 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.

SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) was approved and conditionally adopted pursuant to the resolutions passed by the shareholders of the Company on 2 June 2021 for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. During the 1H2022, no share options of the Company have been granted, exercised, cancelled or lapsed under the Share Option Scheme.

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 1H2022.

SUBSEQUENT EVENT

There was no significant event affecting the Group which occurred after 30 June 2022 and up to the date of this announcement.

AUDIT COMMITTEE REVIEW

The audit committee of the Board has reviewed the accounting principles and practices adopted by the Group and discussed with the management of the Group regarding the risk management and internal controls systems and financial reporting matters including a review of the unaudited condensed consolidated financial statements for the 1H2022. The unaudited condensed consolidated financial statements for the 1H2022 have also been reviewed but not audited by the Group’s external auditor, RSM Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 1H2022.

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 1H2022. 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 1H2022.

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 30 June 2022, which is required to be notified to the Company pursuant to Rule 3A.19 of the Listing Rules.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the 1H2022 containing all information required by Appendix 16 of the Listing Rules 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 August 2022

As of the date of this announcement, the Board comprises Mr. SU Ertian (Chairman and Chief Executive Officer), Mr. JIN Zengqin, Mr. ZHOU Fangchao and Ms. ZENG Zhu as executive Directors, Mr. HU Yongxiang as non-executive Director and Mr. MAK Hing Keung, Thomas, Professor HAN Gaorong and Mr. LEUNG Kwai Wah Alex as independent non-executive Directors.