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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
FOR THE SIX MONTHS ENDED 30 JUNE 2023

The Board announces the interim results of the Group for the 1H2023 as follows:

— Revenue amounted to RMB464.3 million, representing an increase of 21.5%, as compared to RMB382.0 million for the 1H2022.

— Gross profit amounted to RMB224.5 million, representing an increase of 14.8%, as compared to RMB195.6 million for the 1H2022; and the gross profit margin for the 1H2023 was 48.4%, as compared to 51.2% for the 1H2022.

— Profit for the period amounted to RMB94.7 million, representing a decrease of 14.5%, as compared to RMB110.8 million for the 1H2022.

— Profit attributable to the owners of the Company amounted to RMB84.7 million, representing a decrease of 20.3%, as compared to RMB106.3 million for the 1H2022; and the net profit margin decreased to 20.4%, as compared to 29.0% for the 1H2022.

The Board has decided not to declare and pay any interim dividend for the 1H2023 (1H2022: Nil).

The board (the "**Board**") of directors (the "**Directors**") of Global New Material International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") hereby announces the interim results of the Group for the six months ended 30 June 2023 (the "**1H2023**"). The following sets forth the unaudited condensed consolidated interim results of the Group for the 1H2023 and the comparative figures for the six months ended 30 June 2022 (the "**1H2022**"):

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**Unaudited** **Six months ended 30 June** **2023**	 2022
		RMB'000	*RMB'000*
Revenue	4	**464,324**	382,049
Cost of goods sold		**(236,046)**	(183,488)
Sales related tax and auxiliary charges		**(3,743)**	(2,946)
Gross profit		**224,535**	195,615
Other income and other gains and losses		**1,692**	3,304
Reversals of impairment losses on trade and other receivables		**1**	43
Selling expenses		**(24,153)**	(18,516)
Administrative and other operating expenses		**(65,404)**	(45,558)
Profit from operations		**136,671**	134,888
Finance costs		**(21,483)**	(4,961)
Profit before tax		**115,188**	129,927
Income tax expense	5	**(20,524)**	(19,150)
Profit for the period	6	**94,664**	110,777
Attributable to:			
Owners of the Company		**84,669**	106,289
Non-controlling interests		**9,995**	4,488
		94,664	110,777
Earnings per share	8		
– Basic (RMB)		**0.07**	0.09
– Diluted (RMB)		**0.07**	0.09

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Profit for the period	**94,664**	110,777
Other comprehensive income:		
Item that will be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**43**	—
Other comprehensive income for the period, net of tax	**43**	—
Total comprehensive income for the period	**94,707**	110,777
Attributable to:		
Owners of the Company	**84,712**	106,289
Non-controlling interests	**9,995**	4,488
	94,707	110,777

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited As at 30 June 2023**	Audited As at 31 December 2022
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	9	**773,783**	759,364
Right-of-use assets		**62,442**	63,256
Deposits paid for acquisition of property, plant and equipment		**184**	184
Restricted deposit	10	**2,425**	—
Deferred tax assets		**1,190**	1,190
Total non-current assets		**840,024**	823,994
Current assets			
Inventories		**139,172**	120,130
Trade receivables	11	**286,429**	308,119
Deposits, prepayments and other receivables		**24,210**	21,900
Current tax assets		**788**	—
Bank and cash balances		**2,141,358**	1,882,727
Total current assets		**2,591,957**	2,332,876
TOTAL ASSETS		**3,431,981**	3,156,870

	Note	**Unaudited As at 30 June 2023**	Audited As at 31 December 2022
		RMB'000	*RMB'000*
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	15	**99,319**	99,319
Reserves		**2,342,833**	2,258,121
		2,442,152	2,357,440
Non-controlling interests		**195,881**	185,886
Total equity		**2,638,033**	2,543,326
LIABILITIES			
Non-current liabilities			
Bank loans and other borrowings		**23,376**	130,940
Convertible bond	12	**308,525**	294,217
Lease liabilities		**50**	66
Deferred revenue		**1,731**	2,455
Deferred tax liabilities		**5,668**	4,703
Total non-current liabilities		**339,350**	432,381
Current liabilities			
Bank loans and other borrowings		**229,980**	72,373
Derivative component of convertible bond	12	**7,122**	5,783
Lease liabilities		**109**	211
Trade payables	13	**34,761**	23,551
Accruals and other payables		**63,377**	74,178
Deposits received	14	**107,700**	—
Contract liabilities		**13**	13
Deferred revenue		**1,448**	1,448
Current tax liabilities		**10,088**	3,606
Total current liabilities		**454,598**	181,163
TOTAL EQUITY AND LIABILITIES		**3,431,981**	3,156,870

NOTES

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 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 condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022. Except as described below, 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 these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2022.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

A. Deferred tax related to assets and liabilities arising from a single transaction

The Group has adopted Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases.

Prior to the adoption of Amendments to IAS 12, the Group applied the initial recognition exemption under paragraphs 15 and 24 of IAS 12 for leasing transactions that give rise to equal and offsetting temporary differences, and therefore no deferred tax has been recognised for temporary differences relating to right-of-use assets and lease liabilities at initial recognition, and also over the lease terms under paragraph 22(c) of IAS 12.

The Group has applied the transitional provisions under paragraphs 98K and 98L of Amendments to IAS 12 to leasing transactions that occur on or after the beginning of the earliest comparative period presented and also, at the beginning of the earliest comparative period presented by:

(i) Recognising a deferred tax asset to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, and a deferred tax liability for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities; and

(ii) Recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Based on the management's assessment, there was immaterial impact on the condensed consolidated statement of financial position as at 1 January 2022, 31 December 2022 and 30 June 2023, because the deferred tax assets and the deferred tax liabilities recognised as a result of the adoption of Amendments to IAS 12 qualify for offset under paragraph 74 of IAS 12. There was also immaterial impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised. This disclosure will be provided in the annual consolidated financial statements.

The change in accounting policy will also be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2023.

B. International tax reform – Pillar Two model rules

The Group has adopted Amendments to IAS 12 "International Tax Reform – Pillar Two Model Rules" upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure from 31 December 2023. The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted at 31 December 2022 in any jurisdiction in which the Group operates and no related deferred taxes were recognised at that date, the retrospective application has no impact on the Group's condensed consolidated financial statements.

The relief and the new disclosures will also be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2023.

In addition to the adoption of the above amendments to standards, in the current period, the Group has adopted all other new and revised IFRSs issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. They do not have a material effect on the Group's condensed consolidated financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 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 pigments products and functional mica filler and related products 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	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
The PRC	**458,311**	369,167
Others	**6,013**	12,882
Consolidated total	**464,324**	382,049

4. REVENUE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products		
Pearlescent pigment products	**421,943**	374,078
Functional mica filler and related products	**42,381**	7,971
Total	**464,324**	382,049

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

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current tax - PRC		
Provision for the period	**17,895**	16,548
Under-provision in prior period	**947**	979
	18,842	17,527
Deferred tax	**1,682**	1,623
	20,524	19,150

Under the two-tiered Hong Kong 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%. 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%.

Except for the concessionary PRC Enterprise Income Tax ("EIT") rate applicable to the subsidiaries of the Company in the PRC as described below, other subsidiaries of the Company in the PRC are subject to PRC EIT at a rate of 25% (six months ended 30 June 2022: 25%) for the six months ended 30 June 2023. No provision for PRC EIT has been made as other subsidiaries of the Company in the PRC have no assessable profits during the six months ended 30 June 2023 and 2022.

Pursuant to the relevant laws and regulations in the PRC, Guangxi Chesir Pearl Material Co., Ltd. and Luzhai Chesir Pearl Mica Material Co., Ltd., subsidiaries of the Company, obtained the High and New Technology Enterprise Certificate to entitle to a preferential tax rate of 15% (six months ended 30 June 2022: 15%) for the PRC EIT during the six months ended 30 June 2023, 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	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Depreciation on property, plant and equipment	**26,086**	15,567
Depreciation on right-of-use assets	**818**	998
Research and development expenditures	**24,381**	23,702
Cost of inventories sold	**236,046**	183,488
Reversals of impairment losses on trade and other receivables	**(1)**	(43)
Operating lease charge	**1,907**	2,685

7. DIVIDENDS

The Board of Directors has decided not to declare and pay any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**84,669**	106,289
Number of shares		
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation	**1,191,763,586**	1,191,763,586

No adjustment has been made to the basic earnings per share amounts presented for the period ended 30 June 2023 in respect of a dilution as the impact of the conversion of convertible bond had an anti-dilutive effect on the basic earnings per share amounts presented.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment of approximately RMB40,505,000 (six months ended 30 June 2022: RMB75,262,000).

10. RESTRICTED DEPOSIT

As at 30 June 2023, the restricted deposit pledged as security for the Group's other borrowings amounted to approximately RMB2,425,000 (as at 31 December 2022: Nil).

11. 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 2023	At 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
0 to 90 days	**236,878**	264,228
91 to 180 days	**49,551**	43,180
181 to 365 days	**—**	711
	286,429	308,119

12. CONVERTIBLE BOND

On 28 December 2022, the Company entered into a subscription agreement with an independent third party in relation to the issue of 3.5% coupon convertible bonds in the aggregate principal amount up to CNH500.0 million ("**Convertible Bonds**") in two tranches. The unlisted, guaranteed and unsecured convertible bond in the principal amount of CNH300.0 million ("**Tranche A Convertible Bond**") was issued by the Company on 30 December 2022. The interest will be paid in arrears annually until the settlement date.

The Tranche A Convertible Bond is convertible at the option of the holder into fully paid ordinary shares of HK$0.1 each of the Company on or after the later of (i) the first day of the fortieth month from the date of issue; and (ii) the date on which the listing of, and permission to deal in, the conversion shares falling to be issued upon exercise of the conversion rights attached to the Tranche A Convertible Bond having been granted by the Listing Committee of the Stock Exchange up to and including ending on the date immediately before the maturity date (i.e. 30 December 2026) at an initial conversion price of HK$7.6 per share.

If the Tranche A Convertible Bond is not converted during the conversion period, the Company shall redeem the Tranche A Convertible Bond by repaying to the holder of the Tranche A Convertible Bond on the maturity date (the "**Maturity Date**") the aggregate of (i) the outstanding principal amount of CNH300,000,000; (ii) the interest accrued but unpaid up to and including the Maturity Date; and (iii) the additional amount which could make up an internal rate of return ("**IRR**") of 9% per annum on the aggregate principal amount of the Tranche A Convertible Bond if the sum of the amounts referred in (i) and (ii) above, plus any amount already paid by the Company on such outstanding principal amount of the Tranche A Convertible Bond, falls short of making up the IRR of 9% per annum on the relevant aggregate principal amount calculated from the issue date up to the Maturity Date.

The Tranche A Convertible Bond is guaranteed by a substantial shareholder of the Company and a subsidiary of the Company on a joint and several basis.

The net proceeds received from the issue of the Tranche A Convertible Bond have been split between the liability and derivative components, and the movement during the period, as follows:

	RMB'000
Nominal value of the Tranche A Convertible Bond issued	**300,000**
Derivative component	**(5,783)**
Liability component at date of issue, 31 December 2022 and 1 January 2023	**294,217**
Interest charged for the period	**14,308**
Liability component at 30 June 2023	**308,525**
Derivative component at date of issue, 31 December 2022 and 1 January 2023	**5,783**
Fair value loss for the period	**1,339**
Derivative component at 30 June 2023	**7,122**

The interest charged for the period is calculated by applying an effective interest rate of 9.96% per annum to the liability component.

The directors estimate the fair value of the liability component of the Tranche A Convertible Bond at 30 June 2023 to be approximately RMB305,609,000 (as at 31 December 2022: RMB294,217,000). This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

The derivative component is measured at its fair value at the date of issue and at the end of each reporting period. The fair values are estimated using binomial option pricing model (level 3 fair value measurements). The key assumptions used are as follows:

	At 30 June 2023	At date of issue and 31 December 2022
Weighted average share price	**HK$4.38**	HK$3.96
Weighted average exercise price	**HK$7.60**	HK$7.60
Expected volatility	**45.63%**	46.63%
Expected life	**3.5 years**	4 years
Risk free rate	**3.74%**	3.78%
Expected dividend yield	**0.71%**	0.71%

Information about level 3 fair value measurements

	Valuation techniques	**Significant unobservable input**	**Range**	**Effect on fair value for increase of inputs**
Derivative component embedded in the Tranche A Convertible Bond	Binomial option pricing model	Expected volatility	45.63% (As at 31 December 2022: 46.63%)	Increase

The fair value of derivative component embedded in the Tranche A Convertible Bond is determined using binomial option pricing model and the significant unobservable input in the fair value measurement is expected volatility.

As at 30 June 2023, it is estimated that with all other variables held constant, an increase or decrease in the expected volatility by 10% (as at 31 December 2022: 10%) would have decreased or increased the Group's profit by approximately RMB1,496,000 or RMB672,000 (as at 31 December 2022: RMB1,259,000 or RMB637,000) respectively.

13. TRADE PAYABLES

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

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
0 to 90 days	**34,382**	22,509
91 to 180 days	**—**	573
181 to 365 days	**—**	104
Over 365 days	**379**	365
	34,761	23,551

14. DEPOSITS RECEIVED

During the six months ended 30 June 2023, four sales and purchase agreements have been entered with four independent third parties (the "**Transferees**") to sell certain equity interests in a subsidiary (the "**Transactions**") held by the Group at a consideration of approximately RMB107,700,000 in total. Following the completion of the Transactions, the Group would retain its control of the subsidiary, and the Transactions would be classified as equity transactions. As at 30 June 2023 and up to the date of this announcement, the Transactions have not yet been completed.

15. SHARE CAPITAL

	Number of shares in issue	Authorised	Issued and fully paid
		HK$'000	*RMB'000*
Ordinary shares of HK$0.1 each			
At 1 January 2022 (Audited), 31 December 2022 (Audited), 1 January 2023 (Unaudited) and 30 June 2023 (Unaudited)	1,191,763,586	8,000,000	99,319

16. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2023 (as at 31 December 2022: Nil).

17. CAPITAL COMMITMENTS

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Contracted but not provided for:		
Property, plant and equipment	**398,526**	441,876

18. EVENTS AFTER THE REPORTING PERIOD

On 27 January 2023, the Group entered into three agreements with two independent third parties (the "**Vendors**") and CQV Co. Ltd. ("**CQV**") to acquire 42.45% of the issued shares of CQV by the allotment and issue of 47,106,546 consideration shares of the Company to the Vendors as disclosed in the Company's announcements dated 27 January 2023 and 23 August 2023 and the Company's circular dated 13 June 2023. The acquisition has been completed on 22 August 2023, and CQV has become a non-wholly owned subsidiary of the Company.

On 31 July 2023, the subscriber of the Convertible Bonds (the "**Subscriber**") has submitted to the Company that it was unable to complete the subscription for the second tranche convertible bond on or before 31 July 2023. Therefore, the Subscriber will not proceed to subscribe for the second tranche convertible bond. Further details of which are disclosed in the announcement of the Company dated 31 July 2023.

BUSINESS REVIEW

Since the beginning of 2023, as the policies to stabilise the PRC economy have become effective, the economic performance in the PRC has shown a stabilising and upward trend. The global economies are, however, facing complicated risks and challenges by slow recovery, inflation issue and the regional geopolitical tensions between different countries. Despite the global unfavourable economic environment, the pearlescent pigment industry has maintained a steady development due to the wide range of applications, the national supportive industrial policies and other favourable factors.

Under the leadership of the Board, the Group has made progress towards its goals and maintained a good momentum of steady business development. During the 1H2023, the Group's revenue amounted to RMB464.3 million, representing a year-on-year increase of 21.5%, net profit amounted to RMB94.7 million, representing a year-on-year decrease of 14.5%, and EBITDA amounted to RMB163.6 million, representing a year-on-year increase of 8.0% as compared with RMB151.5 million during the 1H2022.

During the 1H2023, the Group adhered to the strategy of "Endogenous Development and Outward Expansion (內源式發展及外延式擴張)" and shortly after the 1H2023, the Group successfully completed the acquisition of CQV, which is the largest pearlescent pigment manufacturer in Korea and a renowned brand in the global pearlescent pigment industry. The acquisition is a solid step forward in the international plans of the Group. The Company was included in the Shenzhen-Hong Kong Stock Connect and Shanghai-Hong Kong Stock Connect. The investors in the Mainland China can directly trade the shares of the Company, which expand the Company's investor base and enhance the liquidity of the shares of the Company, as well as to enhance the Company's visibility and influence in the capital markets. Following the plan laid down at the time of listing, the Group continued to expand the production capacity and develop the Phase 2 Production Plant steadily. The first stage of Phase 2 Production Plant has been completed and commenced trial production. The Group seized market opportunities, further upgraded and optimised the sales channels and actively optimised the product structure to focus on mid-to-high-end pearlescent pigments to maintain steady development. The Group follows the "14th Five-Year Plan" and the "Dual Carbon Strategy" and adopts the concept of "Green Manufacturing and Eco-Enterprise" and contributes to the sustainable development. The Group has been awarded the honours of "National Green Factory", "2023 GBA ESG Entrepreneurs 30" and "2023 China's 500 Most Valuable Brands" during the 1H2023.

PRC national policy support

Since the implementation of the "14th Five-Year Plan", the new material industry has received much attention and is one of the seven strategic emerging industries in China. The new material industry is considered to be the high-tech industry with the significant development potential and has a great impact on future development in the 21st century. The "14th Five-Year Plan" points to the research and development of high-end new materials and production of new materials for domestic consumption. Mica is one of the new materials in the new material industry. 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 listed 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 categorised under 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 are other new functional materials which are categorised under the pigment manufacturing sector of 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 Ministry of Finance and the State Taxation Administration issued the "Announcement 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》) and the pigments products with their basic components are included in the list of commodities for export tax refund. The export tax refund rate of pearlescent pigment, as an important part of pigment, has been increased to 13%. The increase of the export tax refund rate of pearlescent pigment will strongly promote the export of sales and further enhance the international competitiveness of the pearlescent pigment products.

High industry growth

The acquisition of CQV is expected to strengthen the Group's research and development capability, increase the international market share, enrich the Group's product mix, as well as further enhance the competitive advantages of the Group and pull open the disparity with the competitors. Alongside the rapid growth of the global high-end pearlescent pigment market for cosmetics and automobiles, the Group further enhances the profitability and international reputation in the pearlescent pigment segment and broaden the edge of the global competitive moat. Benefiting from the rapid growth of colour cosmetic market in the PRC, the upstream pearlescent pigment market has a huge potential for development.

Stable business development for the Group, comprehensive product portfolio to ensure customer demands

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 30 June 2023, the Group offered four major categories of pearlescent pigment products under different product series with different colours, particle sizes and glossiness as follows:

(a) 560 natural mica-based pearlescent pigment products under 17 series of different colours, texture and glossiness;

(b) 399 synthetic mica-based pearlescent pigment products under 14 series of different colours, texture and glossiness;

(c) 52 glass flake-based pearlescent pigment products under four series which has different transparency, refractive index and flake structure; and

(d) 21 silicon oxide-based pearlescent pigment products under one series.

Continue to increase investment in research and development

During the 1H2023, the Group continued to increase the investment in research and development and expanded the number of pearlescent pigment products offered. In the 1H2023, the Group launched 16 new natural mica-based pearlescent pigment products, 37 new synthetic mica-based pearlescent pigment products and three new glass flake-based pearlescent pigment products. As of 30 June 2023, the Group offered 1,032 pearlescent pigment products comprising of 560 natural mica-based products, 399 synthetic mica-based products, 52 glass flake-based products and 21 silicon oxide-based products.

In the 1H2023, the Group obtained three new patents. As of 30 June 2023, the Group had 39 patents, 33 registered trademarks and four software copyrights.

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) has successfully developed a number of synthetic mica-based new energy materials and get commercialised. The Group also developed a number of synthetic mica functional fillers for high-end applications such as functional fillers for cosmetics and art paints, successfully opening up the second runway and creating the second growth curve.

Seize business opportunities to further strengthen market position

In the 1H2023, the Group seized business opportunities to further upgrade and optimise its marketing channels and enhance its brand influence. The Group actively participated in exhibitions and trade fairs around the world, such as the European Coatings Show (ECS2023) in Nuremberg, Germany, the 27th China International Coatings Show (CHINACOAT2022) in Guangzhou, and the edition of Personal Care and Homecare Ingredients (PCHi) (PCHi2023) (中國國際化妝品個人及家庭護理用品原料展覽會), to promote pearlescent pigment products and carry out targeted and precise operations based on the characteristics of each of the pearlescent pigment products. In addition, the Group has well prepared for further expension in global market. Upon completion of the integration of CQV, the global marketing channels becomes more comprehensive. In order to strengthen the production capacity, the Group has tapped into the production capacity of the Phase 1 Production Plant and adjusted the product structure to maintain steady growth. The Group has continued to expand the production capacity and promoted the construction of production capacity of the Phase 2 Production Plant with an annual production capacity of 30,000 tonnes of pearlescent materials. The first stage of the Phase 2 Production Plant has been completed and has commenced trial production. The Phase 2 Production Plant focused on the production of high-end automotive grade and cosmetic grade products.

FINANCIAL REVIEW

The following sets forth the management discussion and analysis of the performance of the Group during the 1H2023. Comparisons have also been made to the performance of the Group during the 1H2022. Please refer to note 1 to this interim results announcement on the bases upon which the results of the Group are prepared for the 1H2023 and the 1H2022.

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:

	Six months ended 30 June			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Pearlescent pigment products				
– Natural mica-based	**202,860**	**43.7**	198,592	52.0
– Synthetic mica-based	**183,840**	**39.6**	149,493	39.1
– Glass flake-based	**32,628**	**7.0**	23,635	6.2
– Silicon oxide-based	**2,615**	**0.6**	2,358	0.6
	421,943	**90.9**	374,078	97.9
Functional mica filler[(1)]	**39,275**	**8.4**	7,971	2.1
New energy material[(2)]	**3,106**	**0.7**	—	—
Total	**464,324**	**100.0**	382,049	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:

	Six months ended 30 June			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Trading company customers				
– Pearlescent pigment products	**343,953**	**74.1**	309,838	81.1
– Functional mica filler	**36,812**	**7.9**	—	—
	380,765	**82.0**	309,838	81.1
End user customers				
– Pearlescent pigment products	**77,990**	**16.8**	64,240	16.8
– Functional mica filler	**2,463**	**0.5**	7,971	2.1
– New energy material	**3,106**	**0.7**	—	—
	83,559	**18.0**	72,211	18.9
Total	**464,324**	**100.0**	382,049	100.0

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

	Six months ended 30 June			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
PRC	**458,311**	**98.7**	369,167	96.6
Asia (1)	**1,907**	**0.4**	2,764	0.7
Europe (2)	**2,697**	**0.6**	4,017	1.1
Africa (3)	**1,409**	**0.3**	6,101	1.6
Total	**464,324**	**100.0**	382,049	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, Singapore and Vietnam.

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

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

Sales of pearlescent pigment products

The revenue generated from sales of pearlescent pigment products increased to RMB421.9 million during the 1H2023 from RMB374.1 million during the 1H2022, representing an increase of RMB47.8 million or 12.8%. Sales of natural mica-based pearlescent pigment products increased by RMB4.3 million, or 2.1%, as compared to the same during the 1H2022. The Group expanded its sales product mix of natural mica-based pearlescent pigment products from 272 during the 1H2022 to 310 during the 1H2023. Sales of synthetic mica- based pearlescent pigment products increased by RMB34.3 million, or 23.0%, as compared to the same during the 1H2022. The Group expanded its sales product mix of synthetic mica- based pearlescent pigment products from 312 during the 1H2022 to 332 during the 1H2023. Sales of glass flake-based pearlescent pigment products increased by RMB9.0 million, or 38.0%, as compared to the same during the 1H2022. The Group expanded its sales product mix of glass flake-based pearlescent pigment products from 43 during the 1H2022 to 45 during the 1H2023. Sales of silicon oxide-based pearlescent pigment products increased by RMB0.3 million, or 10.9%, as compared to the same during the 1H2022. The Group expanded its sales product mix of silicon oxide-based pearlescent pigment products from 18 during the 1H2022 to 20 during the 1H2023.

Sales of functional mica filler

The sales of functional mica filler increased to RMB39.3 million for the 1H2023 from RMB8.0 million for the 1H2022. 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 Luzhai Synthetic Mica 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 RMB3.1 million for the 1H2023 (1H2022: Nil).

Cost of goods sold

The cost of goods sold increased by 28.6% from RMB183.5 million for the 1H2022 to RMB236.0 million for the 1H2023. The increase in cost of goods sold was mainly due to the increase in the sales volume of pearlescent pigment products by 15.3% from 7,963 tonnes for the 1H2022 to 9,185 tonnes for the 1H2023 and the increase in the sales volume of functional mica filler and related products by 716.1% from 192 tonnes for the 1H2022 to 1,567 tonnes for the 1H2023.

Gross profit and gross profit margin

The gross profit increased to RMB224.5 million during the 1H2023 from RMB195.6 million during the 1H2022, representing an increase of 14.8%. 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 1H2023 was 48.4%, as compared to 51.2% for the 1H2022. The slight year-on-year decrease in gross profit margin in the 1H2023 as compared with the 1H2022 was mainly attributable to the increase in the cost of raw materials and the change in the products mix of the Company's products in 1H2023.

Other income and other gains and losses

The amount of other income and other gains and losses during the 1H2023 was RMB1.7 million, as compared to RMB3.3 million during the 1H2022. The decrease was mainly due to the increase in interest income offset by the fair value loss on derivative component of convertible bond of RMB1.3 million.

Reversals of impairment losses for trade and other receivables, net

The amount of reversals of impairment losses for trade and other receivables, net during the 1H2023 was RMB1,000, as compared to RMB43,000 during the 1H2022.

Selling expenses

The selling expenses increased to RMB24.2 million during the 1H2023 from RMB18.5 million during the 1H2022, representing an increase of 30.4%. The increase in selling expenses was primarily due to the increase in the Group's selling and transportation expenses, salaries and promotion expenses.

Administrative and other operating expenses

The administrative and other operating expenses increased to RMB65.4 million during the 1H2023 from RMB45.6 million during the 1H2022, representing an increase of 43.6%. The increase was primarily due to the expenses incurred for overseas merger and acquisition, the staff costs of addition of merger and acquisition team and administrative expenses.

Finance costs

The finance costs increased to RMB21.5 million during the 1H2023 from RMB5.0 million during the 1H2022, representing an increase of 333.0%. Such increase was primarily due to the increase in interest payments in 1H2023 as a result of additional other borrowings of RMB55.9 million and the liability component of RMB308.5 million (1H2022: Nil) in respect of the convertible bonds.

Income tax expense

The income tax expense increased to RMB20.5 million during the 1H2023 from RMB19.2 million during the 1H2022. The increase was primarily due to the net increase in profit before tax for PRC subsidiaries.

Profit for the period

As a result of the foregoing, the profit for the 1H2023 amounted to RMB94.7 million, representing a decrease of 14.5%, as compared with RMB110.8 million during the 1H2022. Net profit margin decreased to 20.4% for the 1H2023, as compared to 29.0% for the 1H2022.

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 1H2023:

Prescribed usage	Allocation of the net proceeds from the Global Offering and over-allotment option	Percentage to the total net proceeds	Remaining balance as of 31 December 2022	Amount utilised up to 30 June 2023	Remaining balance as of 30 June 2023	Expected timeline for the intended use
	HK$' million	*%*	*HK$' million*	*HK$' million*	*HK$' million*	
Construction of the Phase 2 Production Plant	539.5	55.6	341.7	40.9	300.8	By the first quarter of 2025
Construction of the Luzhai Synthetic Mica Plant	330.8	34.1	330.8	—	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	44.2	12.2	32.0	By end of 2023
Sales and marketing activities and building sales network	31.0	3.2	18.2	1.4	16.8	By end of 2023
Total	**970.2**	**100.0**	**734.9**	**54.5**	**680.4**	

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 CNH500.0 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 Bond in the principal amount of CNH300.0 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 CNH300.0 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 actual utilisation amounts for the 1H2023:

Prescribed usage	Allocation of the net proceeds from the issue of the Tranche A Convertible Bond	Percentage to the total net proceeds	Remaining balance as of 31 December 2022	Amount utilised up to 30 June 2023	Remaining balance as of 30 June 2023	Expected timeline for the intended use
	CNH' million	*%*	*CNH' million*	*CNH' million*	*CNH' million*	
Investment opportunities within the pearlescent pigments and synthetic mica industry.	300.0	100.0	300.0	—	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

Under the leadership of the Board, the Group will follow the national development strategy, maintain the strategic stability and insist on seeking progress in the midst of stability and challenges. The Group will continue to adhere to 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 uphold the 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:

Steady growth in the pearlescent pigment industry

The Board expects that the use of the pearlescent pigment products in various industries will increase, especially in the cosmetics and automobile industries. Following completion of the acquisition of CQV, the Group's production capacity in high-end pearlescent pigment products, such as automobile grade and cosmetic grade products, will be enhanced and assist the Group to increase its sales in the high-end market.

Development of new sales channels

The Group will take the opportunity of integration and synergy with CQV to expand the global market and promote new launched pearlescent pigment products. The Group will carry out targeted and precise operations based on the characteristics of each of the pearlescent pigment products in order to broader the sales channels. In addition, the Group participated in new product launches, exhibitions and trade fairs and technical exchange meetings to enhance the Group's brand awareness. The Group has established a marketing sub-centre in Shenzhen. Such sub-centre will be used as the development base to further enhance the ability to explore the global market and strengthen the synergistic integration with the global marketing channels of CQV, so as to improve the Group's international plans.

Continue to increase investment in research and development

The research and development department of the Group will focus on three major directions, which are new pearlescent pigments products, functional mica filler and new energy materials. Through active research and development investment and technological innovation, the Group will continue to make innovations and breakthroughs in five aspects, including new substrates, new products, new processes, new equipments and new applications. The Group will strengthen the technical exchanges and co-operation with CQV to meet the customer needs in the global market. In addition, the Group will continue to improve its talent team and research and development management mechanism, and increase its efforts in applying for intellectual property rights by cooperating with industry-academia-research (產學研) of certain universities and research institutes, so as to further strengthen its technological research and development capability.

Phase 2 Production Plant develops steadily

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 Plant as scheduled. The Group will also introduce the technology of CQV Smart Plant to enhance the level of intelligence of the Phase 2 Production Plant, and endeavour to develop the Phase 2 Production Plant into a "green, intelligent and environmentally friendly" benchmark plant in the global industry.

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 (內源式發展及外延式擴張)" to accelerate the Group's various strategic plans and engage in mergers and acquisitions transactions in a timely manner in order to accelerate business expansion and further enhance the Group's core competitiveness and market share. As disclosed in the Company's announcement dated 23 June 2023, the Company is in discussion with an independent third party on a possible acquisition of businesses which, if successfully completed, could represent a significant development of the current business of the Group. The contents of the discussion as well as the progress involved are subject to strict confidentiality obligation on the part of the Company.

INTERIM DIVIDEND

The Board has decided not to declare and pay any interim dividend for the 1H2023 (1H2022: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity and indebtedness

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

As of 30 June 2023 and 31 December 2022, the bank and cash balances amounted to RMB2,141.4 million and RMB1,882.7 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 2023 was mainly due to the increase in the cash generated from operating activities, bank loans and other borrowings and deposits received.

As of 30 June 2023 and 31 December 2022, the borrowings amounted to RMB253.4 million and RMB203.3 million, respectively. The increase in the borrowings was attributable to the new bank loans and other borrowings of RMB55.9 million, offset by the repayment of bank loans and other borrowings of RMB8.1 million during the 1H2023.

As of 30 June 2023, the Group had liability component of the convertible bond of RMB308.5 million (31 December 2022: RMB294.2 million).

Gearing ratio

The gearing ratio (calculated as total liabilities divided by total equity) of the Group was 30.0% as of 30 June 2023 (31 December 2022: 24.1%). The increase was mainly due to the increase in the borrowings.

Net asset value

As of 30 June 2023 and 31 December 2022, the net assets of the Group amounted to RMB2,638.0 million and RMB2,543.3 million, respectively. Net asset value per Share contributed to owners of the Company as of 30 June 2023 amounted to RMB2.05, as compared to RMB1.98 as of 31 December 2022.

Contingent liabilities

As of 30 June 2023, the Group did not have any material contingent liabilities.

Pledge of assets

As of 30 June 2023, certain property, plant and equipment and right-of-use assets with aggregate net book value of RMB145.5 million, as compared to RMB139.7 million as of 31 December 2022, were pledged to financial institutions as collaterals for bank borrowings.

As at 30 June 2023, the restricted deposit pledged as security for the Group's other borrowings amounted to RMB2.4 million (31 December 2022: Nil).

CAPITAL STRUCTURE

During the 1H2023, 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 1H2023 is set forth in the paragraphs under "Share Option Scheme" below.

As of 30 June 2023, the Company had the convertible bonds in the aggregate principal amount of CNH300.0 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 30 June 2023 and 31 December 2022, the capital commitments amounted to RMB398.5 million and RMB441.9 million, respectively, which represent the commitments to purchase property, plant and equipment and include (a) the modifications and expansions of the Phase 1 Production Plant and (b) the construction of the Phase 2 Production Plant and the Luzhai Synthetic Mica Plant and the acquisition of the related production facilities.

FOREIGN EXCHANGE EXPOSURE

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

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL

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 27 June 2023.

The Acquisition was approved by the Shareholders at the extraordinary general meeting of the Company held on 30 June 2023 and the closing of the Acquisition took place on 22 August 2023.

Upon the closing of the Acquisition, the Company holds 42.45% of the issued shares of CQV and is the single largest shareholder of CQV. CQV has become a non-wholly owned subsidiary of the Company with the financial performance and position to be consolidated into the accounts of the Group.

Further details of the Acquisition are disclosed in the announcement of the Company dated 27 January 2023, the circular of the Company dated 13 June 2023 and the announcement of the Company dated 23 August 2023.

Save as disclosed above, the Group did not have any significant investment, material acquisition or disposal during the 1H2023.

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 590 employees in the PRC and 8 employees in Hong Kong as of 30 June 2023 (31 December 2022: 581 and five, 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 (the "**Adoption Date**") for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. During the 1H2023, no share options of the Company were 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 1H2023.

SUBSEQUENT EVENTS

On 27 January 2023, the Group entered into three agreements with two independent third parties and CQV to acquire certain shares of CQV as disclosed in the announcement of the Company dated 27 January 2023 and the circular of the Company dated 13 June 2023. The acquisition has been completed on 22 August 2023.

On 31 July 2023, the Subscriber has submitted to the Company that it was unable to complete the subscription for the Tranche B Convertible Bond on or before 31 July 2023. Therefore, the Subscriber will not proceed to subscribe for the Tranche B Convertible Bond. Further details of which are disclosed in the announcement of the Company dated 31 July 2023.

Save as disclosed above and the paragraphs under "Significant Investments, Material Acquisitions and Disposal", there was no significant event affecting the Group which occurred after 30 June 2023 and up to the date of this announcement.

AUDIT COMMITTEE REVIEW

The audit committee (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 1H2023. The unaudited condensed consolidated financial statements for the 1H2023 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 1H2023.

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 Part 2 of the CG Code for the 1H2023. 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 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, they have confirmed their compliance with the required standard as set forth in the Model Code during the 1H2023.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the 1H2023 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, 25 August 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.