



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



I N T E R I M
R E P O R T

2024



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr SU Ertian (*Chairman and Chief Executive Officer*)
Mr JIN Zengqin
Mr ZHOU Fangchao (*Joint company secretary*)
Mr BAI Zhihuan
Ms ZENG Zhu

Non-executive Director

Mr HU Yongxiang

Independent non-executive Directors

Mr HUI Chi Fung
Professor HAN Gaorong
Mr LEUNG Kwai Wah Alex

AUDIT COMMITTEE

Mr HUI Chi Fung (*Chairman*)
Professor HAN Gaorong
Mr LEUNG Kwai Wah Alex

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr SU Ertian (*Chairman*)
Professor HAN Gaorong
Mr HUI Chi Fung

JOINT COMPANY SECRETARIES

Mr ZHOU Fangchao
Ms CHEUNG Ka Lun Karen

AUDITOR

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

PRINCIPAL BANKERS

In Hong Kong, China:
Citibank (Hong Kong) Limited

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

In the Republic of Korea:
Shinhan Bank Chungbuk Retail Banking Center

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG, CHINA

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26 Harbour Road, Wanchai
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE MAINLAND CHINA

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
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Hong Kong

COMPANY'S WEBSITE

www.chesir.com

STOCK CODE

06616

CHAIRMAN'S STATEMENT

Dear fellow investors:

We would like to thank all of you for your long term trust and support of Global New Material International Holdings Limited (the “**Company**” or “**Global New Material international**”, together with its subsidiaries, the “**Group**”):

During the six months ended 30 June 2024 (the “**1H2024**”), China's economy maintained a steady growth momentum despite the uncertainties in the global macroeconomic environment. The steady expansion of the production side and the continuous recovery of the demand side have provided us with a solid market foundation. Against this backdrop, Global New Material International has steadfastly implemented the development strategy of “Endogenous Development and Outward Expansion (內源式發展及外延式擴張)”, continuously optimizing our business layout and achieving excellent results.

During the 1H2024, the Company continued to focus on its core business area of surface performance materials. Through the continuous promotion of innovation and strategic projects, we not only further consolidated our leading position in the industry, but also laid a solid foundation for international expansion. In particular, we are well-prepared for the acquisition of the worldwide global surface solutions business of Merck KGaA and look forward to further breakthroughs in the international market through this strategic expansion.

During the 1H2024, Global New Material International always adhered to the market-oriented and customer-focused principles, and made continuous efforts in keeping up with the strategy of high-quality development. We have achieved significant market expansion in the field of surface performance materials, and our excellent product quality and service have contributed to the Company's strong results growth in both domestic and overseas markets.

The Company continues to promote product innovation through independent research and development, and has showcased our latest technological achievements and product series at major industry exhibitions. At the spring 2024 “Xuan Cai Huan Xin (絢彩煥新)” new product launch, we launched 5 new product series and 10 trendy colours of the year, which successfully set the trend of the industry. These innovative products were well received at the China International Cosmetics, Personal Care and Home Care Ingredients Exhibition and the Middle East Coatings Exhibition, laying a solid foundation for the Company's future market growth.

In addition, with the accelerated upstream and downstream deployment of high-end production capacity, a number of major projects have been successfully implemented, which has effectively eased the bottleneck in production capacity and further extended our industrial chain. The Phase 2 pearlescent material plant of Guangxi Chesir Pearl Material Co., Ltd. (“**Chesir Pearl**”) with an annual production capacity of 30,000 tonnes has officially commenced production, and the construction of the surface performance material project with an annual production capacity of 100,000 tonnes in Tonglu, Hangzhou has been successfully launched. The commencement of production and launch of these projects signify that the Company has made significant progress in promoting high-quality development and extending its industrial chain.

CHAIRMAN'S STATEMENT

Driven by the internationalization strategy, the Company made important breakthroughs in the 1H2024. Since the acquisition of CQV Co., Ltd. ("**CQV**"), a non-wholly owned operating subsidiary of the Company and a well-known pearlescent material enterprise in the Republic of Korea ("**Korea**"), the Company has achieved in-depth synergies in market channels, product research and development, and supply chain management, with steady improvement in operating results and significant synergies. This has not only strengthened our global competitiveness, but also further consolidated our leading position in the international market.

We also continue to strengthen our collaboration with international partners, expand our global business network, and promote the in-depth development of our international business. This marks a solid step forward in the globalization of Global New Material International. We are committed to building an ecosystem of new surface performance materials industry chain with high-level and high-quality development as the core. The successful implementation of each project provides solid support for the Company's steady progress towards its goal of becoming a "leader in the surface performance materials industry" and lays a solid foundation for the Company's long-term sustainable development.

2024 is a critical year for Global New Material International to realize its operational plan of "internationalization and corporatisation". Looking ahead, we will continue to adhere to the principle of seeking progress while maintaining stability, firmly implement the strategy of "endogenous development and outward expansion", deeply plough into the surface performance materials industry, and explore the development path of international marketization. In the field of high-end materials, especially pearlescent pigments and related functional materials, the Company will strive to build a value-based enterprise with "growth and return" by promoting high-quality development and technological innovation.

We have full confidence in the future. With the recovery of the global economy and the gradual implementation of our strategy, Global New Material International is poised for more growth opportunities. We will continue to maintain a steady pace, actively adapt to market changes, and drive the Company to achieve greater leaps and bounds.

Finally, on behalf of the board of directors of the Company, I would like to express once again our sincere appreciation to the management and staff of the Group, as well as to our shareholders and business partners. We are confident that Global New Material International will continue to lead the industry in the field of surface performance materials and create even greater returns for our investors.

Thank you!

SU Ertian

29 August 2024

BUSINESS DEVELOPMENT REVIEW

In the 1H2024, China's economy demonstrated solid growth momentum, with steady growth in production activities, a gradual recovery in demand, the continuous nurturing of new dynamics and new advantages, and significant progress in high-quality development. Against this backdrop, the Group followed the pulse of the country's economy and achieved steady growth in various businesses. We have actively implemented the strategy of "Endogenous Development and Outward Expansion (內源式發展及外延式擴張)" formulated by the Board, and have been deeply engaged in the development of our core business of surface performance materials, while at the same time, we have made full preparations for the acquisition of the worldwide global service solutions business of Merck KGaA ("**Global Surface Solutions Business**"), thus laying a solid foundation for our outward expansion. Our enterprise has also grown from a catch-up player to an industry leader, driving stable growth in the industry.

In the 1H2024, we deeply explored the market demand, deepened our high-quality development strategy and continued our high-quality development trend. We are market-oriented and customer-focused, and we are deeply engaged in the field of surface performance materials, continuously expanding our market territory with excellent products and meticulous services. With the spirit of innovation and technological strength, we have led the enterprise into a fast track of development, steadily improved our operating results, consolidated and expanded the pattern of high-quality development.

In the 1H2024, the Group's revenue amounted to approximately RMB774.6 million, representing a year-on-year increase of approximately 66.8%, and net profit amounted to approximately RMB144.5 million, representing a year-on-year increase of approximately 52.7%.

EBITDA for the 1H2024 amounted to approximately RMB266.8 million, representing an increase of approximately 63.1% as compared with approximately RMB163.6 million for the six months ended 30 June 2023 (the "**1H2023**").

In the 1H2024, we sought "quality" from "innovation" (向「新」求「質」), and built our core competitiveness with technological innovation. Successfully held the spring 2024 "Xuan Cai Huan Xin (絢彩煥新)" new product launch, we unveiled 5 series of new products and 10 annual popular colours, leading the industry development trend, and received a warm response from the market. "Technology, fashion, environmental protection" has become synonymous with our products and brand image. The successful development of a number of new high-end pearlescent material products has brought users brand new experiences and choices. Meanwhile, these new products have also made a stunning debut and made a big splash at the China International Cosmetics, Personal Care and Home Care Ingredients Exhibition and the Middle East Coatings Exhibition and other industry exhibitions held in 2024, and gained a large number of intended and potential customers.

As at 30 June 2024, the total number of pearlescent pigment products offered by Chesir Pearl of the Group had reached 1,138, which comprise:

- (a) 584 natural mica-based pearlescent pigment products under 17 series of different colours, textures and gloss levels;
- (b) 442 synthetic mica-based pearlescent pigment products under 14 series of different colours, textures and gloss levels;
- (c) 91 glass flake-based pearlescent pigment products under 4 series of different transparency, refractive index and flake structure; and
- (d) 21 silicon oxide-based pearlescent pigment products under 1 series.

BUSINESS DEVELOPMENT REVIEW

As at 30 June 2024, the total number of pearlescent pigment products offered by CQV, the Company's subsidiary in Korea, had reached 985 products, which comprise:

- (1) 507 synthetic mica-based products;
- (2) 159 natural mica-based products;
- (3) 140 glass flake-based products;
- (4) 98 aluminium oxide-based products;
- (5) 3 PMSQ and silicon dioxide-based products;
- (6) 42 hollow flake titanium oxide-based products;
- (7) 33 aluminium silver paste metal pigment products; and
- (8) 3 coloured aluminium metal pigment products.

In the 1H2024, we obtained 3 new authorized patents and 3 new registered trademarks.

As at 30 June 2024, we owned a total of 154 patents, 73 registered trademarks and 4 software copyrights.

In the 1H2024, we grasped the opportunity of the times, accelerated the layout of upstream and downstream high-end production capacity, and landed major strategic projects one after another, realizing the "Excellent Chain, Extended Chain (優鏈、延鏈)" of the industrial chain. The unveiling and successful launching of the project with an annual production capacity of 30,000 tonnes of pearlescent materials in the Phase 2 of Chesir Pearl, the commencement of the construction of the project with an annual production capacity of 100,000 tonnes of surface performance materials in Tonglu, Hangzhou ("**Tonglu Project**") mark our steady progress on the road of industry chain extension and high-quality development. The ecological circle of "new surface performance material industry chain", which is built by the Group with high level and high quality development, is gradually formed.

In the 1H2024, we worked hand in hand to advance our internationalization strategy at a steady pace. Since CQV, a famous pearlescent material enterprise in Korea, was acquired by the Group as a non-wholly owned subsidiary, we have achieved in-depth synergistic development in various fields, such as market channels, product research and development, product innovation and supply chain management, etc. Our partner network is expanding continuously, and the "circle of friends" for open co-operation is growing steadily.

At present, both the Company and CQV have achieved stage-by-stage results in the synergistic development of products, sales channels, supply chain, research and development technology and manufacturing. (a) In terms of products, both of us complement each other's strengths in the product matrix of application fields, forming synergy effects and consolidating our advantages in the high-end market. (b) In terms of sales channel, we integrate our market sales network, to achieve differentiated product cross-selling and promote the Group's domestic and overseas market expansion. (c) In terms of research and development technology, we further integrate our technology research and development resources to transform the Group into an industry leader in the global pearlescent pigment market with strong technological leadership. (d) In terms of manufacturing, our excellent quality synthetic mica solves the raw material problem of CQV, promotes the accelerated release of CQV's production capacity, reduces the procurement cost, and further enables the Group to expand and strengthen the synthetic mica business.

FINANCIAL REVIEW

The following sets forth the management discussion and analysis of the performance of the Group during the 1H2024. Comparisons have also been made to the performance of the Group during the 1H2023. Please refer to note 1 to this interim report on the bases upon which the results of the Group are prepared for the 1H2024 and the 1H2023.

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 in the People's Republic of China ("PRC") and Korea. The assets of the Group are substantially located in the PRC and Korea. Following the acquisition of CQV in August 2023, the Group operates two reportable segments, namely, the PRC Business Operation and the Korea Business Operation, as compared to a single reportable segment prior to acquisition of CQV. The Group's reportable segments are strategic business units managed by separate management as each segment requires different marketing strategies. The Group 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; (d) silicon oxide-based pearlescent pigment products; (e) aluminium oxide-based pearlescent pigment products; and (f) aluminium-based pearlescent 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 the Group's revenue by reportable segments:

	Six months ended 30 June			
	2024		2023	
	RMB'000	%	RMB'000	%
PRC Business Operation	610,370	78.8	464,324	100.0
Korea Business Operation	164,252	21.2	—	—
Total	774,622	100.0	464,324	100.0

The total revenue of the Group increased from approximately RMB464.3 million for the 1H2023 to approximately RMB774.6 million during the 1H2024, representing a year-on-year increase of approximately 66.8%. The revenue generated from the PRC Business Operation, which accounted for approximately 78.8% (1H2023: 100%) of the total revenue of the Group during the 1H2024, increased by approximately 31.5% from approximately RMB464.3 million for the 1H2023 to approximately RMB610.4 million for the 1H2024. Such increase was mainly due to the increase in sales volume, the increase in sales prices and the change in the product mix of the Group's products in the 1H2024. The revenue generated from the Korea Business Operation, recorded by way of the consolidation of CQV into the account of the Group as a non-wholly owned subsidiary of the Company since August 2023, amounted to approximately RMB164.3 million for the 1H2024, accounting for approximately 21.2% (1H2023: nil) of the total revenue of the Group for the 1H2024.

FINANCIAL REVIEW

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

	Six months ended 30 June			
	2024		2023	
	RMB'000	%	RMB'000	%
Pearlescent pigment products				
– Natural mica-based	277,779	35.8	202,860	43.7
– Synthetic mica-based	268,860	34.7	183,840	39.6
– Glass flake-based	75,058	9.7	32,628	7.0
– Silicon oxide-based	21,336	2.8	2,615	0.6
– Aluminium oxide-based	54,502	7.0	—	—
– Aluminium-based	3,620	0.5	—	—
	701,155	90.5	421,943	90.9
Functional mica filler⁽¹⁾	40,884	5.3	39,275	8.4
New energy material⁽²⁾	3,186	0.4	3,106	0.7
Others	29,397	3.8	—	—
Total	774,622	100.0	464,324	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.

FINANCIAL REVIEW

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			
	2024		2023	
	RMB'000	%	RMB'000	%
Trading company customers				
– Pearlescent pigment products	586,008	75.7	343,953	74.1
– Functional mica filler	36,553	4.7	36,812	7.9
– Others	28,087	3.6	—	—
	650,648	84.0	380,765	82.0
End user customers				
– Pearlescent pigment products	115,147	14.9	77,990	16.8
– Functional mica filler	4,331	0.6	2,463	0.5
– New energy material	3,186	0.4	3,106	0.7
– Others	1,310	0.1	—	—
	123,974	16.0	83,559	18.0
Total	774,622	100.0	464,324	100.0

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

	Six months ended 30 June			
	2024		2023	
	RMB'000	%	RMB'000	%
The PRC	619,449	80.0	458,311	98.7
Asia ⁽¹⁾	90,158	11.6	1,907	0.4
Europe ⁽²⁾	37,840	4.9	2,697	0.6
North America ⁽³⁾	17,294	2.2	—	—
Africa ⁽⁴⁾	5,160	0.7	1,409	0.3
South America ⁽⁵⁾	4,721	0.6	—	—
Total	774,622	100.0	464,324	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 North America include the United States, Canada and Mexico.
- (4) Countries in Africa include Algeria, Morocco, Tunisia and Egypt.
- (5) Countries in South America include Brazil and Chile.

FINANCIAL REVIEW

SALES OF PEARLESCENT PIGMENT PRODUCTS

The revenue generated from sales of pearlescent pigment products increased to approximately RMB701.2 million during the 1H2024 from approximately RMB421.9 million during the 1H2023, representing an increase of approximately RMB279.2 million or approximately 66.2%. Sales of natural mica-based pearlescent pigment products increased by approximately RMB74.9 million, or approximately 36.9%, as compared to the same during the 1H2023. Sales of synthetic mica-based pearlescent pigment products increased by approximately RMB85.0 million, or approximately 46.2%, as compared to the same during the 1H2023. Sales of glass flake-based pearlescent pigment products increased by RMB42.4 million, or approximately 130.0%, as compared to the same during the 1H2023. Sales of silicon oxide-based pearlescent pigment products increased by approximately RMB18.7 million, or approximately 715.9%, as compared to the same during the 1H2023. Sales of aluminium oxide-based pearlescent pigment products increased by approximately RMB54.5 million, or 100%, as compared to the 1H2023. Sales of aluminium-based products increased by approximately RMB3.6 million, or 100%, as compared to the 1H2023.

SALES OF FUNCTIONAL MICA FILLER

The sales of functional mica filler increased to approximately RMB40.9 million for the 1H2024 from approximately RMB39.3 million for the 1H2023, representing an increase of approximately RMB1.6 million or approximately 4.1%.

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 approximately RMB3.2 million for the 1H2024 (1H2023: approximately RMB3.1 million).

COST OF GOODS SOLD

The cost of goods sold increased by approximately 61.7% from approximately RMB236.0 million for the 1H2023 to approximately RMB381.5 million for the 1H2024. The increase in cost of goods sold was mainly due to the increase in the sales volume of pearlescent pigment products by approximately 24.4% from approximately 9,185 tonnes for the 1H2023 to approximately 11,425 tonnes for the 1H2024 and the moderate increase in the sales volume of functional mica filler and related products by approximately 8.1% from approximately 1,567 tonnes for the 1H2023 to approximately 1,694 tonnes for the 1H2024.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit increased to approximately RMB388.0 million during the 1H2024 from approximately RMB224.5 million during the 1H2023, representing an increase of approximately 72.8%. 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 1H2024 was approximately 50.1%, as compared to approximately 48.4% for the 1H2023. The slight year-on-year increase in gross profit margin in the 1H2024 as compared with the 1H2023 was mainly attributable to the reduction in the cost of raw materials and the change in the products mix of the Group's products in the 1H2024.

FINANCIAL REVIEW

OTHER INCOME AND OTHER GAINS AND LOSSES

The amount of other income and other gains and losses during the 1H2024 was approximately RMB0.7 million, as compared to approximately RMB1.7 million during the 1H2023. The decrease was mainly due to the increase in foreign exchange loss of approximately RMB2.2 million set off against increase of government grant of RMB1.2 million in the 1H2024 as compared with the 1H2023.

IMPAIRMENT LOSSES FOR TRADE AND OTHER RECEIVABLES, NET

The amount of impairment losses for trade and other receivables, net during the 1H2024 was approximately RMB4.9 million, as compared to approximately RMB1,000 of reversals of impairment loss during the 1H2023. The increase was mainly due to the increase in trade receivables in the 1H2024.

SELLING EXPENSES

The selling expenses increased to approximately RMB50.0 million during the 1H2024 from approximately RMB24.2 million during the 1H2023, representing an increase of approximately 107.0%. The increase in the selling expenses was mainly attributable to the increase in selling expenses of the Group's new subsidiary, CQV, by approximately RMB14.4 million and the increase in the Group's selling and transportation expenses, salaries and promotion expenses due to the increase in sales.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

The administrative and other operating expenses increased to approximately RMB107.2 million during the 1H2024 from approximately RMB65.4 million during the 1H2023, representing an increase of approximately 63.9%. Such increase was mainly attributable to the inclusion of CQV's relevant expenses of RMB22.8 million by way of consolidation of CQV into the accounts of the Group as a non-wholly owned subsidiary of the Company in the 1H2024; the expenses of approximately RMB16.1 million that were incurred in engaging professional services in relation to the acquisition of Global Surface Solutions Business and the additional staff costs of expansion of merger and acquisition team.

FINANCE COSTS

The finance costs increased to approximately RMB42.7 million during the 1H2024 from approximately RMB21.5 million during the 1H2023, representing an increase of approximately 98.8%. Such increase was mainly due to the increase in bank loans and other borrowings, the interest expenses for the First Tranche Initial Bond issued on 8 November 2023.

INCOME TAX EXPENSE

The income tax expense increased to approximately RMB39.3 million during the 1H2024 from approximately RMB20.5 million during the 1H2023. The increase was primarily due to the expansion of the Group's business in Korea through CQV in the 1H2024 and the increase in PRC Enterprise Income Tax.

FINANCIAL REVIEW

PROFIT FOR THE PERIOD

As a result of the foregoing, the profit for the 1H2024 amounted to approximately RMB144.5 million, representing an increase of approximately 52.7%, as compared with approximately RMB94.7 million during the 1H2023. Net profit margin decreased to approximately 18.7% for the 1H2024, as compared to approximately 20.4% for the 1H2023.

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 1H2024:

Prescribed usage	Allocation of the net proceeds from the Global Offering and over-allotment option		Remaining balance as of 31 December 2023	Amount utilized during the six months ended 30 June 2024	Remaining balance as of 30 June 2024	Expected timeline for the intended use
	Percentage to the total net proceeds	HK\$ million				
Construction of the Phase 2 Production Plant	55.6	539.5	156.6	75.4	81.2	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	—	—	—	Utilised
Sales and marketing activities and building sales network	3.2	31.0	4.9	4.9	—	Utilised
Total	100.0	970.2	492.3	80.3	412.0	

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 approximately HK\$330.8 million. During the 1H2024, the Group did not use any of such amount for the purpose primarily because the relocation of certain structures built on the land by a corporation did not progress as contemplated. 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 would be used by the second quarter of 2025 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.

FINANCIAL REVIEW

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 “**2022 CB Subscriber**”), pursuant to which the Company has conditionally agreed to issue, and the 2022 CB Subscriber has conditionally agreed to subscribe and pay for, the 3.50% coupon convertible bonds (the “**2022 Convertible Bonds**”) in the aggregate principal amount up to RMB500.0 million, comprising the Tranche A Convertible Bond in the principal amount of RMB300.0 million and the Tranche B Convertible Bond in the principal amount of not more than RMB200.0 million. The 2022 Convertible Bonds have an initial conversion price of HK\$7.6 per Share and are convertible into Shares. Further details of the 2022 Convertible Bonds are disclosed in the announcement of the Company dated 28 December 2022.

On 30 December 2022, the Company completed the issue of the Tranche A Convertible Bonds in the principal amount of RMB300.0 million to the 2022 CB Subscriber. The amount of the net proceeds received by the Company from the issue of the Tranche A Convertible Bond amounted to RMB300.0 million. Further details of which are disclosed in the announcement of the Company dated 30 December 2022.

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 1H2024:

Prescribed usage	Allocation of the net proceeds from the issue of the Tranche A Convertible Bond		Remaining balance as of 31 December 2023	Amount utilised during the six months ended 30 June 2024	Remaining balance as of 30 June 2024	Expected timeline for the intended use
	Percentage to the total net proceeds	RMB' million				
Investment opportunities within the pearlescent pigments and synthetic mica industry	100.0	300.0	300.0	—	300.0	By end of 2024

On 31 July 2023, the 2022 CB Subscriber 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 2022 CB 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.

FINANCIAL REVIEW

USE OF THE NET PROCEEDS FROM THE ISSUE OF THE FIRST TRANCHE INITIAL BOND

On 5 November 2023, the Company entered into an agreement (the “**Purchase Agreement**”) with Billion New Limited (the “**2023 CB Subscriber**”), pursuant to which (i) the Company conditionally agreed to issue, and the 2023 CB Subscriber conditionally agreed to subscribe for, the 9.0% initial convertible bonds in the aggregate principal amount of up to US\$50.0 million due 2025 (the “**Initial Bonds**”), comprising the First Tranche Initial Bond in the principal amount of up to US\$40.0 million and the Second Tranche Initial Bond in the principal amount of up to US\$10.0 million; and (ii) the Company may, pursuant to the terms of the Purchase Agreement, exercise the option to conditionally issue to the 2023 CB Subscriber and/or any other incoming investor(s) 9.0% option convertible bonds in the principal amount of up to US\$30.0 million due 2025 (the “**Option Bonds**”, together with the Initial Bonds, the “**2023 Convertible Bonds**”). The 2023 Convertible Bonds have an initial conversion price of HK\$7.6 per Share and are convertible into Shares. Further details of the 2023 Convertible Bonds are disclosed in the announcement of the Company dated 5 November 2023.

On 8 November 2023, the Company completed the issue of the First Tranche Initial Bond in the principal amount of US\$40.0 million to the 2023 CB Subscriber. The amount of the net proceeds received by the Company from the issue of the First Tranche Initial Bond amounted to US\$40.0 million. Further details of which are disclosed in the announcement of the Company dated 8 November 2023.

The table below sets forth the intended use of the net proceeds from the issue of the First Tranche Initial Bond and the actual utilisation amount for the 1H2024:

Prescribed usage	Allocation of the net proceeds from the issue of the First Tranche Initial Bonds		Amount utilised during the six months ended		Expected timeline for the intended use
	Percentage to the total net proceeds	Remaining balance as of 31 December 2023	30 June 2024	Remaining balance as of 30 June 2024	
	US\$' million	US\$' million	US\$' million	US\$' million	
General working capital requirement of the Group	40.0	35.0	2.0	33.0	By end of 2025

On 8 March 2024, the Company and the 2023 CB Subscriber entered into the first supplemental agreement, whereby the parties agreed to extend the period for the Company to exercise the option to issue the Option Bonds by 120 days. Further details of which are disclosed in the announcement of the Company dated 8 March 2024.

On 8 July 2024, the Company and the 2023 CB Subscriber entered into the second supplemental agreement, whereby the parties agreed to further extend the period for the Company to exercise the option to issue the Option Bonds by 120 days. Further details of which are disclosed in the announcement of the Company dated 8 July 2024.

As at the date of this report, the unutilised balance of the net proceeds from the Global Offering, the issue of the Tranche A Convertible Bond, and the issue of the First Tranche Initial Bond are deposited in the licensed banks in the PRC and Hong Kong.

FINANCIAL REVIEW

INTERIM DIVIDEND

The Board has decided not to declare and pay any interim dividend for the 1H2024 (1H2023: 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 at 30 June 2024 and 31 December 2023, the bank and cash balances amounted to approximately RMB3,436.6 million and approximately RMB3,203.5 million, respectively. These balances were maintained at a prudent level for the purpose of satisfying the requirements for daily business operations and future business expansions of the Group. The increase in the bank and cash balances as at 30 June 2024 was mainly due to the issuance of CQV Convertible Bond, cash generated from operating activities and the increase in bank loans and other borrowings.

As at 30 June 2024 and 31 December 2023, the bank and other borrowings amounted to approximately RMB687.5 million and approximately RMB327.0 million, respectively. The increase in the bank and other borrowings was attributable to the increase in the new bank loans and other borrowings of approximately RMB590.7 million, net of repayment of the bank loans and other borrowings on maturity of RMB228.6 million to cope with the business expansions of the Group during the 1H2024. As at 30 June 2024, bank and other borrowings of approximately RMB410.6 million of the Group bore fixed interest rates.

As at 30 June 2024, the Group had liability component of the convertible bonds of approximately RMB671.1 million (as at 31 December 2023: approximately RMB576.1 million).

Gearing ratio

The gearing ratio (calculated as total interest bearing borrowings divided by total assets) of the Group was approximately 23.2% as of 30 June 2024 (as at 31 December 2023: approximately 17.5%). The increase was mainly due to the increase in the borrowings.

Net asset value

As at 30 June 2024 and 31 December 2023, the net assets of the Group amounted to approximately RMB4,213.6 million and approximately RMB4,085.1 million, respectively. Net asset value per Share contributed to owners of the Company as at 30 June 2024 amounted to approximately RMB2.63, as compared to approximately RMB2.55 as at 31 December 2023.

Contingent liabilities

As at 30 June 2024, there was a pending lawsuit in respect of seeking an injunction of patent infringement being brought against CQV during 2022 and claiming approximately RMB1.1 million. The Group intends to contest the claim, and while the final outcome of the proceedings is uncertain, it is the Directors' opinion that the ultimate liability, if any, will not have a material impact on the Group's financial position.

FINANCIAL REVIEW

Pledge of assets

As at 30 June 2024, certain property, plant and equipment, right-of-use assets and patents with aggregate net book value of approximately RMB220.7 million, as compared to approximately RMB242.0 million as at 31 December 2023, were pledged to financial institutions as collaterals for bank borrowings.

As at 30 June 2024, the restricted deposits and restricted bank deposits pledged as security for the Group's banking facility and other borrowings amounted to approximately RMB78.0 million (as at 31 December 2023: approximately RMB2.4 million).

CAPITAL STRUCTURE

During the 1H2024, 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 1H2024 is set forth in the paragraph under "Share Option Scheme" in the "Other Information" section of this interim report.

As at 30 June 2024, the Company had issued (i) the Tranche A Convertible Bond in the aggregate principal amount of RMB300.0 million in relation to the 2022 Convertible Bonds issue on 30 December 2022; and (ii) the First Tranche Initial Bond in the principal amount of US\$40.0 million in relation to the 2023 Convertible Bonds issue on 8 November 2023. Both the Tranche A Convertible Bonds and the First Tranche Initial Bond have an initial conversion price of HK\$7.6 per Share and are convertible into the maximum of 43,815,789 and 40,789,474 Shares, respectively.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital commitments represent the amount of capital expenditure contracted for as at a particular date but not yet incurred. As at 30 June 2024 and 31 December 2023, the capital commitments amounted to approximately RMB684.8 million and approximately RMB275.1 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; (b) the construction of the Phase 2 Production Plant and the Luzhai Synthetic Mica Plant and the acquisition of the related production facilities; and (c) the Tonglu Project.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL

The Group did not have any significant investment, material acquisition or disposal during the 1H2024.

FINANCIAL REVIEW

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 670 employees in Mainland China, 10 employees in Hong Kong and 179 employees in Korea as at 30 June 2024 (as at 31 December 2023: 589, nine and 171, respectively). The Group encourages high productivity and remunerates its employees based on their qualifications, work experience, prevailing market rates and individual contribution to the Group. Incentives in the form of bonuses and share options may also be offered to eligible employees based on individual performance. Pursuant to applicable laws and regulations, the Group has participated in relevant defined contribution retirement schemes administered by responsible government authorities in the PRC for its employees there and provided a mandatory provident fund scheme to employees in Hong Kong.

FOREIGN EXCHANGE EXPOSURE

The Group primarily operates in the PRC and Korea and most of its business transactions, assets and liabilities are denominated in Renminbi and Korean Won. The Group is exposed to foreign currency risk primarily in respect of US dollars and Japanese Yen denominated transactions from its operations in Korea. The Directors are of the opinion that the related foreign currency risk exposure has not adversely affect the Group's operations or liquidity and is manageable. During the 1H2024, the Group did not commit to any financial instruments to hedge its foreign currency exposure. However, the management of the Group will regularly and closely monitor the Group's foreign currency exposure should the need arises.

SUBSEQUENT EVENTS

On 8 July 2024, the Company and the 2023 CB Subscriber entered into the second supplemental agreement, whereby the parties agreed to further extend the period for the Company to exercise the option to issue the Option Bonds by 120 days. Further details of which are disclosed in the announcement of the Company dated 8 July 2024.

On 25 July 2024, the Company entered into an agreement (the "**Agreement**") with: (a) the members of the Company and its affiliates nominated by the Company to purchase and acquire the relevant sale shares (the "**Share Purchasers**"), (b) Merck KGaA (the "**Seller**"), (c) the members of the Seller and its affiliates (excluding target companies) (the "**Seller Group**") specified in the Agreement and members of the Seller Group nominated by the Seller to sell and transfer a portion of the worldwide surface solutions business of the Seller Group (the "**Business Sellers**"), and (d) Merck Electronics KGaA (Germany), Merck Chemicals B.V. (Netherlands), Merck Life Science KGaA (Germany) and the members of the Seller Group nominated by the Seller to sell and transfer the relevant sale shares (the "**Share Sellers**") ((c) and (d) collectively the "**Designated Sellers**").

FINANCIAL REVIEW

Pursuant to the Agreement, the Seller and the Designated Sellers agreed to sell, and the Company and the Share Purchasers agreed to purchase, the worldwide global surface solutions business of the Seller Group at the aggregate consideration of EUR665,000,000 (equivalent to approximately RMB5,187,000,000 or HK\$5,586,000,000), subject to adjustments in accordance with the terms and conditions of the Agreement.

Further details of the above event are disclosed in the announcement of the Company dated 25 July 2024.

Save as disclosed above, there was no significant event affecting the Group which occurred after 30 June 2024 and up to the date of this report.

BUSINESS OUTLOOK

It is only through deep ploughing that we can achieve anything (深耕一隅,方有所成). 2024 is a critical year for the Group to achieve the goals of the internationalization of its products and implementation of its operation plan. We will adhere to the general tone of seeking progress while maintaining stability, fully implement the strategic plan and the 2024 business plan, and deeply plough into the surface performance materials industry, while exploring the development path of international marketing, so as to promote the Group's high-quality development and build a value-based enterprise with "growth + return (成長+回報)". The strategies are as follows:

I. Advance the acquisition of Global Surface Solutions Business

We are working to complete the acquisition of Global Surface Solutions Business, a strategic move that will provide solid support for our leading position in the global surface materials industry and drive our business to the higher level.

II. Commitment to achieving synergy between business segments and subsidiaries

The Group is committed to promoting a coordinated and synergistic development of its business segments and subsidiaries, and realizing the optimal allocation of resources and complementary competencies by accelerating business integration. We will build an interconnected internal supply chain ecosystem to break down information barriers and promote information sharing, so as to realize synergies within the Group and inject vitality into the Group's long-term development.

III. Continuous commitment to strengthening the deep integration of the international talent team

Recognizing the cultural diversity of the subsidiaries, their different corporate development backgrounds and management models, we will adopt an "inclusive" attitude, with a common mission and vision at the core, and cultural integration as the link, to promote an in-depth integration and development of the talent teams of our M&A project companies. We are committed to stimulating the potential of each team and guiding them to contribute to the Group's continuous progress and innovation.

IV. Commitment to building and improving the functional structure of the Asia-Pacific regional headquarters

Our planned Global New Material International Asia-Pacific headquarters will integrate a number of key functions, and its core functions will cover the following key areas: centralized financial management, global currency clearing house, leading technology research and development centre, global talent management and marketing management. This strategic layout will provide a solid foundation for the Group's global operations, ensuring that we can continue to improve our overall operational efficiency and management effectiveness, and propel the Group towards becoming a more efficient global enterprise.

V. Continue to increase investment in research and development field

The Group is making innovations in five strategic directions, including new substrates, new products, new processes, new equipment and new applications, through continuous research and development and technological innovation. We are committed to building and improving the talent ladder and innovation mechanism, establishing deeper cooperation with universities and research institutes, and realizing the comprehensive integration of production, learning, research and application. In addition, we actively expand the scope of intellectual property rights application to strengthen the Group's technical barriers and provide solid technical support for the Company's long-term development and market competitiveness.

INDEPENDENT REVIEW REPORT



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TO THE BOARD OF DIRECTORS OF GLOBAL NEW MATERIAL INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 22 to 45 which comprises the condensed consolidated statement of financial position of Global New Material International Holdings Limited (“the Company”) and its subsidiaries as at 30 June 2024 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board (the “IASB”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT REVIEW REPORT

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

RSM Hong Kong

Certified Public Accountants

Hong Kong

29 August 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Note	Unaudited Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Revenue	4	774,622	464,324
Cost of goods sold		(381,479)	(236,046)
Sales related tax and auxiliary charges		(5,171)	(3,743)
Gross profit		387,972	224,535
Other income and other gains and losses		674	1,692
(Impairment losses)/reversals of impairment losses on trade and other receivables		(4,861)	1
Selling expenses		(50,002)	(24,153)
Administrative and other operating expenses		(107,238)	(65,404)
Profit from operations		226,545	136,671
Finance costs		(42,711)	(21,483)
Profit before tax		183,834	115,188
Income tax expense	5	(39,292)	(20,524)
Profit for the period	6	144,542	94,664
Attributable to:			
Owners of the Company		107,062	84,669
Non-controlling interests		37,480	9,995
		144,542	94,664
Earnings per share	8		
– Basic (RMB)		0.09	0.07
– Diluted (RMB)		0.09	0.07

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Unaudited Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Profit for the period	144,542	94,664
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement losses on defined benefit pension plan	(33)	—
Income tax on item that will not be reclassified to profit or loss	7	—
	(26)	—
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(15,964)	43
Other comprehensive income for the period, net of tax	(15,990)	43
Total comprehensive income for the period	128,552	94,707
Attributable to:		
Owners of the Company	100,561	84,712
Non-controlling interests	27,991	9,995
	128,552	94,707

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	Note	Unaudited As at 30 June 2024 RMB'000	Audited As at 31 December 2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	1,196,228	1,105,166
Right-of-use assets	10	65,444	66,265
Intangible assets		19,258	23,787
Deposits paid for acquisition of property, plant and equipment		115,229	—
Deposits paid for acquisition of right-of-use assets		73,820	—
Goodwill		104,171	104,171
Restricted deposits	11	2,050	2,050
Defined benefit assets, net		6,124	5,246
Deposits and other receivables		1,530	1,418
Deferred tax assets		10,596	11,835
Total non-current assets		1,594,450	1,319,938
Current assets			
Inventories		250,260	237,319
Trade and bills receivables	13	471,653	365,313
Deposits, prepayments and other receivables		33,381	27,803
Restricted deposits	11	375	375
Restricted bank deposits	12	75,621	—
Current tax assets		1,058	1,058
Bank and cash balances		3,436,577	3,203,476
Total current assets		4,268,925	3,835,344
TOTAL ASSETS		5,863,375	5,155,282

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	Note	Unaudited As at 30 June 2024 RMB'000	Audited As at 31 December 2023 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	17	103,701	103,701
Reserves		3,153,350	3,052,789
		3,257,051	3,156,490
Non-controlling interests		956,568	928,655
Total equity		4,213,619	4,085,145
LIABILITIES			
Non-current liabilities			
Bank loans and other borrowings	14	173,743	94,614
Convertible bonds	15	605,442	576,142
Lease liabilities		2,737	3,046
Other payables		507	468
Deferred revenue		6,695	6,319
Deferred tax liabilities		12,871	17,981
Total non-current liabilities		801,995	698,570
Current liabilities			
Bank loans and other borrowings	14	513,790	232,376
Convertible bonds	15	65,675	—
Derivative components of convertible bonds	15	17,709	5,706
Lease liabilities		2,003	1,863
Trade and bills payables	16	68,388	33,257
Accruals and other payables		146,839	84,820
Contract liabilities		110	184
Deferred revenue		9,336	4,614
Current tax liabilities		23,911	8,747
Total current liabilities		847,761	371,567
TOTAL EQUITY AND LIABILITIES		5,863,375	5,155,282

Approved by the Board of Directors on 29 August 2024 and are signed on its behalf by:

SU Ertian
Director

ZHOU Fangchao
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Unaudited									
	Attributable to owners of the Company									
	Share capital	Share premium	Other reserve	Merger reserve	Foreign currency translation reserve	Statutory surplus reserve	Retained earnings	Total	Non-controlling interests	Total equity
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	99,319	703,444	726,299	137,549	(18)	77,857	612,990	2,357,440	185,886	2,543,326
Profit for the period	—	—	—	—	—	—	84,669	84,669	9,995	94,664
Other comprehensive income	—	—	—	—	43	—	—	43	—	43
Total comprehensive income for the period	—	—	—	—	43	—	84,669	84,712	9,995	94,707
Changes in equity for the period	—	—	—	—	43	—	84,669	84,712	9,995	94,707
At 30 June 2023	99,319	703,444	726,299	137,549	25	77,857	697,659	2,442,152	195,881	2,638,033
At 1 January 2024	103,701	886,372	1,157,853	137,549	243	82,981	787,791	3,156,490	928,655	4,085,145
Profit for the period	—	—	—	—	—	—	107,062	107,062	37,480	144,542
Other comprehensive income	—	—	—	—	(6,490)	—	(11)	(6,501)	(9,489)	(15,990)
Total comprehensive income for the period	—	—	—	—	(6,490)	—	107,051	100,561	27,991	128,552
Dividend paid to non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	(78)	(78)
Changes in equity for the period	—	—	—	—	(6,490)	—	107,051	100,561	27,913	128,474
At 30 June 2024	103,701	886,372	1,157,853	137,549	(6,247)	82,981	894,842	3,257,051	956,568	4,213,619

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	194,824	141,557
Purchase of property, plant and equipment	(138,906)	(40,505)
Purchase of intangible assets	(46)	—
Deposits paid for acquisition of right-of-use assets	(73,820)	—
Deposits paid for acquisition of property, plant and equipment	(115,229)	—
Increase in restricted deposits	—	(2,425)
Increase in restricted bank deposits	(75,621)	—
Increase in time deposits with maturities of over three months but less than one year	—	(95,000)
Interest received	4,134	4,629
NET CASH USED IN INVESTING ACTIVITIES	(399,488)	(133,301)
Bank loans and other borrowings raised	590,703	55,876
Repayment of bank loans and other borrowings	(228,581)	(8,126)
Proceeds from issue of convertible bond, net	77,065	—
Principal elements of lease payments	(935)	(122)
Dividends paid to non-controlling interests of a subsidiary	(78)	—
Increase in deposits received	—	107,700
NET CASH GENERATED FROM FINANCING ACTIVITIES	438,174	155,328
NET INCREASE IN CASH AND CASH EQUIVALENTS	233,510	163,584
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(409)	47
CASH AND CASH EQUIVALENTS AT 1 JANUARY	3,203,476	1,722,727
CASH AND CASH EQUIVALENTS AT 30 JUNE	3,436,577	1,886,358
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	3,436,577	2,141,358
Less: Time deposits with maturities of over three months but less than one year	—	(255,000)
	3,436,577	1,886,358

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. BASIS OF PREPARATION

These 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.

These condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023. 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 2023.

2. NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

A. New and amended standards adopted by the Group

The Group has applied the following amendments for the first time from 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to IAS 1;
- Lease Liability in Sale and Leaseback – Amendments to IFRS 16;
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7.

As a result of the adoption of the amendments to IAS 1, the Group changed its accounting policy for the classification of borrowings as below:

“Borrowings are classified as current liabilities unless at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.”

This new policy did not result in a change in the classification of the Group’s borrowings. The Group did not make retrospective adjustments as a result of adopting the amendments to IAS 1.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

2. NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

B. Impact of new and amended standards issued but not yet adopted by the Group

In August 2023, IASB amended IAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not. These new requirements will apply for annual reporting periods beginning on or after 1 January 2025. The management does not expect the amendment to have a material impact on the consolidated financial statements.

In April 2024, IASB issued IFRS 18 which is effective for annual reporting periods beginning on or after 1 January 2027, with early application permitted. IFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group present and disclose financial performance in the financial statements. The key changes introduced in IFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management-defined performance measures (which are referred to alternative or non-GAAP performance measures), and (iii) enhanced requirements for aggregation and disaggregation of information. The management is currently assessing the impact of applying IFRS 18 on the presentation and the disclosures of the consolidated financial statements.

3. SEGMENT INFORMATION

The chief operating decision maker has been identified as the executive directors of the Company.

On 22 August 2023, the Group has acquired 42.45% of the issued capital of CQV Co., Ltd. ("CQV"), an entity engaging in the manufacturing and sales of pearlescent pigment in the Republic of Korea (the "Korea Business Operation"), and CQV has become a subsidiary of the Group.

Prior to the acquisition, the Group previously carried on a single business 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 Business Operation"), and all the assets are substantially located in the People's Republic of China ("PRC"). Accordingly, only one single business reportable segment was determined based on the information reported to the directors of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

3. SEGMENT INFORMATION *(continued)*

Following the acquisition of CQV in August 2023, the directors of the Company has updated the internal reporting for resource allocation and assessment of segment performance, based on the geographical location of business operation. Accordingly, the Group has identified two reportable segments, namely the PRC Business Operation and the Korea Business Operation, as opposed to the previous single reportable segment. The comparative figures of the PRC Business Operation for the six months ended 30 June 2023 were provided to align with the current period presentation.

As at 30 June 2024, the Group has identified two reportable segments as follows:

- PRC Business Operation — manufacturing and sales of pearlescent pigment and functional mica filler and trading of industrial products such as chemicals in the PRC
- Korea Business Operation — manufacturing and sales of pearlescent pigment and trading of industrial products such as pigment in the Republic of Korea (“Korea”)

The Group’s reportable segments are strategic business units that managed by separate management. They are managed separately because each business requires different marketing strategies.

Information about reportable segment profit or loss, assets and liabilities:

	PRC Business Operation RMB'000	Korea Business Operation RMB'000	Total RMB'000
Six months ended 30 June 2024 (Unaudited)			
Revenue from external customers			
– Pearlescent pigment	548,396	152,759	701,155
– Functional mica filler and related products	44,070	—	44,070
– Trading of industrial products	17,904	11,459	29,363
– Others	—	34	34
	610,370	164,252	774,622
Intersegment revenue	1,268	—	1,268
Segment profit	169,230	19,180	188,410
As at 30 June 2024 (Unaudited)			
Segment assets	4,861,758	687,547	5,549,305
Segment liabilities	1,138,360	167,858	1,306,218

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

3. SEGMENT INFORMATION *(continued)*

Information about reportable segment profit or loss, assets and liabilities: *(continued)*

	PRC Business Operation RMB'000	Korea Business Operation RMB'000	Total RMB'000
Six months ended 30 June 2023 (Unaudited)			
Revenue from external customers			
– Pearlescent pigment	421,943	—	421,943
– Functional mica filler and related products	42,381	—	42,381
	464,324	—	464,324
Intersegment revenue	—	—	—
Segment profit	123,875	—	123,875
As at 31 December 2023 (Audited)			
Segment assets	4,180,031	617,378	4,797,409
Segment liabilities	638,209	100,291	738,500

	Unaudited Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Reconciliations of segment profit or loss:		
Total profit or loss of reportable segments	188,410	123,875
Unallocated amounts:		
Administrative expenses	(24,442)	(13,915)
Interest expenses	(15,349)	(14,310)
Interest income	438	356
Others	(4,515)	(1,342)
Consolidated profit for the period	144,542	94,664

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

3. SEGMENT INFORMATION *(continued)*

Geographical information:

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

	PRC Business Operation RMB'000	Korea Business Operation RMB'000	Total RMB'000
Six months ended 30 June 2024 (Unaudited)			
The PRC	598,579	20,870	619,449
Korea	—	57,656	57,656
Germany	151	14,748	14,899
The United States	—	13,167	13,167
Others	11,640	57,811	69,451
Consolidated total	610,370	164,252	774,622
Six months ended 30 June 2023 (Unaudited)			
The PRC	458,311	—	458,311
Others	6,013	—	6,013
Consolidated total	464,324	—	464,324

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	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products		
Pearlescent pigment products	701,155	421,943
Functional mica filler and related products	44,070	42,381
Trading of industrial products	29,363	—
Others	34	—
Total	774,622	464,324

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current tax		
Provision for the period		
– PRC Enterprise Income Tax	29,807	17,895
– Korea Corporate Income Tax	3,499	—
	33,306	17,895
Current tax		
Under-provision in prior period		
– PRC Enterprise Income Tax	513	947
– Korea Corporate Income Tax	5,404	—
	5,917	947
Deferred tax	69	1,682
	39,292	20,524

Under the two-tiered Profits Tax regime, the first HK\$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5%.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Except for the preferential 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 2023: 25%) for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

5. INCOME TAX EXPENSE *(continued)*

Korea Corporate Income Tax is calculated at 9.9% (including local income tax of 0.9%) for assessable income below Korean Won (“KRW”) 200 million, 20.9% (including local income tax of 1.9%) for assessable income between KRW200 million and KRW20 billion, 23.1% (including local income tax of 2.1%) for assessable income between KRW20 billion and KRW300 billion and 26.4% (including local income tax of 2.4%) for assessable income above KRW300 billion for the period.

France Corporation Tax is calculated at the applicable rate of 25% in accordance with the relevant law and regulations in France for both periods.

The Company is incorporated in the Cayman Islands and subject to Hong Kong Profits Tax. No provision for Hong Kong Profits Tax has been made in the financial statements since the Company has no assessable profit for the six months ended 30 June 2024 and 2023.

The subsidiary incorporated in the British Virgin Islands is not subject to income tax.

Those subsidiaries incorporated in Hong Kong and France have had no assessable profit subject to Hong Kong Profits Tax or France Corporation Tax during the six months ended 30 June 2024 and 2023, respectively.

Pursuant to the relevant laws and regulations in the PRC, 廣西七色珠光材料股份有限公司 (Guangxi Chesir Pearl Material Co., Ltd.) and 鹿寨七色珠光雲母材料有限公司 (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 2023: 15%) during the six months ended 30 June 2024 and 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	
	2024 RMB’000 (Unaudited)	2023 RMB’000 (Unaudited)
Depreciation on property, plant and equipment	38,574	26,086
Depreciation on right-of-use assets	1,670	818
Research and development expenditures	34,138	24,381
Cost of inventories sold	381,479	236,046
Allowance for inventories (included in cost of goods sold)	1,676	—
Impairment losses/(reversals of impairment losses)		
on trade and other receivables	4,861	(1)
Operating lease charge	2,559	1,907

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

7. DIVIDENDS

The Board of Directors has decided not to declare and pay any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	107,062	84,669
Adjustments to the share of profit of a subsidiary based on dilution of their earnings per share	(48)	—
Profit attributable to owners of the Company, used in the diluted earnings per share calculation	107,014	84,669
Number of shares		
Weighted average number of ordinary shares, used in the basic and diluted earnings per share calculation	1,238,870,132	1,191,763,586

The computation of diluted earnings per share does not assume the conversion of the Company's convertible bonds since their assumed exercise would have an anti-dilutive effect on the basic earnings per share amounts presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired property, plant and equipment of approximately RMB138,906,000 (six months ended 30 June 2023: RMB40,505,000).

10. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2024, the Group entered into new lease agreements for use of leased vehicles and leased properties for 2 to 4 years. On lease commencement, the Group recognised RMB924,000 of right-of-use assets and RMB881,000 of lease liabilities.

11. RESTRICTED DEPOSITS

As at 30 June 2024, the restricted deposits pledged as security for the Group's other borrowings amounted to approximately RMB2,425,000 (as at 31 December 2023: RMB2,425,000).

12. RESTRICTED BANK DEPOSITS

As at 30 June 2024, the restricted bank deposits represented deposits pledged to a bank to secure banking facility granted to the Group amounting to approximately RMB75,621,000 (as at 31 December 2023: Nil).

13. TRADE AND BILLS RECEIVABLES

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

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
0 to 90 days	426,013	309,651
91 to 180 days	45,640	55,222
181 to 365 days	—	440
	471,653	365,313

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

14. BANK LOANS AND OTHER BORROWINGS

The bank loans and other borrowings are secured by pledge of the Group's property, plant and equipment of RMB210,863,000 (as at 31 December 2023: RMB226,415,000), right-of-use assets of RMB9,881,000 (as at 31 December 2023: RMB9,989,000) and patents held by the Group.

During the six months ended 30 June 2024, the Group has raised new bank loans and other borrowings of RMB590.7 million net of repayment of the bank loans and other borrowings on maturity of RMB228.6 million to cope with the business expansions of the Group.

15. CONVERTIBLE BONDS

2022 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.

Tranche A Convertible Bond is convertible at the option of the holder into fully paid ordinary shares with 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 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

15. CONVERTIBLE BONDS *(continued)*

2022 Convertible bond *(continued)*

If Tranche A Convertible Bond is not converted during the conversion period, the Company shall redeem 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 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 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.

Tranche A Convertible Bond is guaranteed by a substantial shareholder of the Company and a subsidiary of the Company.

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

	RMB'000
Liability component at 1 January 2023	294,217
Interest charged for the period	14,308
Liability component at 30 June 2023	308,525
Liability component at 1 January 2024	313,029
Interest charged for the period	15,223
Liability component at 30 June 2024	328,252
Derivative component at 1 January 2023	5,783
Fair value loss for the period	1,339
Derivative component at 30 June 2023	7,122
Derivative component at 1 January 2024	3,822
Fair value loss for the period	1,413
Derivative component at 30 June 2024	5,235

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 Tranche A Convertible Bond at 30 June 2024 to be approximately RMB331,325,000 (as at 31 December 2023: RMB333,201,000). This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

15. CONVERTIBLE BONDS *(continued)*

2022 Convertible bond *(continued)*

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 have been calculated using binomial option pricing model (level 3 fair value measurements). The key assumptions used are as follows:

	At 30 June 2024	At 31 December 2023
Weighted average share price	HK\$3.93	HK\$3.95
Weighted average exercise price	HK\$7.60	HK\$7.60
Expected volatility	44.29%	38.13%
Expected life	2.5 years	3 years
Risk free rate	3.60%	3.07%
Expected dividend yield	0.35%	0.35%

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	44.29% (As at 31 December 2023: 38.13%)	Increase

The fair value of derivative component embedded in 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 2024, it is estimated that with all other variables held constant, an increase or decrease in the expected volatility by 10% (as at 31 December 2023: 10%) would have decreased or increased the Group's profit by approximately RMB1,481,000 or RMB2,274,000 (as at 31 December 2023: RMB1,871,000 or RMB1,982,000) respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

15. CONVERTIBLE BONDS *(continued)*

2023 Convertible bond

On 5 November 2023, the Company entered into an agreement with an independent third party in relation to issue 9% coupon convertible bonds in the aggregate principal amount up to US\$80,000,000 in two tranches. The unlisted, and unsecured convertible bonds with a nominal value of US\$40,000,000 ("First Tranche Initial Bond") was issued by the Company on 8 November 2023.

First Tranche Initial Bond is convertible at the option of the holder thereof, at any time from the later of (a) the date on or after the relevant issue date of such bonds and (b) the date on which the listing of, and permission to deal in, the shares falling to be issued upon exercise of the conversion rights attached to the applicable convertible bonds having been granted by the Listing Committee of the Stock Exchange, to the close of business on the date falling seven days prior to the maturity date or, if such bond shall have been called for redemption by the Company before the maturity date (i.e. 7 November 2025), then up to and including the close of business on a date no later than seven days prior to the date fixed for redemption thereof at an initial conversion price of HK\$7.6 per share.

On giving not less than 30 nor more than 60 days' notice by the Company to the bondholders, First Tranche Initial Bond may be redeemed by the Company in whole or in part, on the date specified in the option redemption notice at their optional redemption amount together with interest accrued but unpaid to such date (if any) at any time.

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

	RMB'000
Liability component at 1 January 2024	263,113
Interest charged for the period	18,981
Interest paid	(12,987)
Exchange differences	8,083
Liability component at 30 June 2024	277,190
Derivative component at 1 January 2024	1,884
Fair value gain for the period	(294)
Exchange differences	55
Derivative component at 30 June 2024	1,645

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

15. CONVERTIBLE BONDS *(continued)*

2023 Convertible bond *(continued)*

The interest charged for the period is calculated by applying an effective interest rate of 14.85% per annum to the liability component.

The directors estimate the fair value of the liability component of First Tranche Initial Bond at 30 June 2024 to be approximately RMB293,845,000 (as at 31 December 2023: RMB263,675,000). 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 2024	At 31 December 2023
Weighted average share price	HK\$3.93	HK\$3.95
Weighted average exercise price	HK\$7.60	HK\$7.60
Expected volatility	29.99%	37.26%
Expected life	1.4 years	1.9 years
Risk free rate	4.98%	4.43%
Expected dividend yield	0.35%	0.35%

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 First Tranche Initial Bond	Binomial option pricing model	Expected volatility	29.99% (As at 31 December 2023: 37.26%)	Increase

The fair value of derivative component embedded in First Tranche Initial 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 2024, it is estimated that with all other variables held constant, an increase or decrease in the expected volatility by 10% (as at 31 December 2023: 10%) would have decreased or increased the Group's profit by approximately RMB15,000 or RMB Nil (as at 31 December 2023: RMB800,000 or RMB290,000) respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

15. CONVERTIBLE BONDS *(continued)*

CQV Convertible bonds

On 26 June 2024, CQV, a subsidiary of the Company, entered into an underwriting agreement (the “Underwriting Agreement”) and a supplementary agreement (the “Supplementary Agreement”) with independent third parties in relation to the issue of unlisted and unsecured 2% coupon convertible bonds in an aggregate principal amount of KRW15,000,000,000 (“CQV Convertible Bonds”) which was issued on 28 June 2024 with maturity date of 28 June 2027. The interest will be paid in arrears every three months until the maturity date.

CQV Convertible Bonds are convertible at the option of the holders into common stock of CQV on or after one year from the issue date of CQV Convertible Bonds and to the first business day within the month preceding the maturity date at an initial conversion price of KRW5,760 per share. The conversion price may be adjusted every seven months from the issue date based on the stock price of CQV common stock prevailing in the preceding month.

CQV Convertible Bonds may be redeemed at the option of the holders one year from the issue date of CQV Convertible Bonds and every three months thereafter in the relevant outstanding principal amount multiplied by the early redemption rate stipulated in the Underwriting Agreement.

CQV shall reserve a right to purchase up to 40% of the principal amount of CQV Convertible Bonds during the exercise period stated in the Supplementary Agreement, in which case the purchase price shall ensure yield to call at an annual compound interest rate of 7% (calculated quarterly).

If CQV Convertible Bonds are not converted during the conversion period or redeemed during the option period, CQV shall redeem CQV Convertible Bonds by repaying to the holder of CQV Convertible Bonds on the maturity date at 113.0412% of the outstanding principal amount.

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

	RMB'000
Nominal value of the CQV Convertible Bonds issued	80,289
Derivative component	(10,971)
Liability component at date of issue	69,318
Transaction cost related to liability component	(2,783)
Exchange differences	(860)
Liability component at 30 June 2024	65,675
Derivative component at date of issue	10,971
Exchange differences	(142)
Derivative component at 30 June 2024	10,829

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

15. CONVERTIBLE BONDS *(continued)*

CQV Convertible bonds *(continued)*

The interest charged for the period is calculated by applying an effective interest rate of 13.20% per annum to the liability component.

The directors estimate the fair value of the liability component of the CQV Convertible Bonds at 30 June 2024 to be approximately RMB65,675,000. 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 the date of issue and 30 June 2024
Weighted average share price	KRW4,770
Weighted average exercise price	KRW5,760
Expected volatility	31.80%
Expected life	3 years
Risk free rate	3.17%
Expected dividend yield	0.00%

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 CQV Convertible Bonds	Binomial option pricing model	Expected volatility	31.80%	Increase

The fair value of derivative component embedded in CQV Convertible Bonds is determined using binomial option pricing model and the significant unobservable inputs in the fair value measurement are expected volatility.

As at 30 June 2024, it is estimated that with all other variables held constant, an increase or decrease in the expected volatility by 10% would have decreased or increased the Group's profit by approximately RMB901,000 or RMB888,000 respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

16. TRADE AND BILLS PAYABLES

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

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
0 to 90 days	67,140	32,707
91 to 180 days	691	205
181 to 365 days	200	85
Over 365 days	357	260
	68,388	33,257

17. SHARE CAPITAL

	Number of shares in issue	Authorised HK\$'000	Issued and fully paid RMB'000
Ordinary shares of HK\$0.1 each			
At 1 January 2023 (Audited)	1,191,763,586	8,000,000	99,319
Share issue for acquisition of a subsidiary (note)	47,106,546	—	4,382
At 31 December 2023 (Audited), 1 January 2024 (Unaudited) and 30 June 2024 (Unaudited)	1,238,870,132	8,000,000	103,701

Note: On 22 August 2023, 47,106,546 ordinary shares of the Company of par value of HK\$0.1 each were issued at a price of HK\$4.24 (the closing price of the Company's share at that date) in connection with acquisition of a subsidiary with a consideration of approximately KRW34,032,293,000 (equivalent to approximately RMB187,310,000) settled by shares of the Company of which KRW796,203,000 (equivalent to approximately RMB4,382,000) were credited to the Company's share capital and the remaining proceeds of approximately KRW33,236,090,000 (equivalent to approximately RMB182,928,000) were credited to the share premium account.

18. CONTINGENT LIABILITIES

CQV is a defendant in a lawsuit for injunction of patent infringement brought during 2022 claiming approximately RMB1,057,000 (as at 31 December 2023: RMB1,100,000). The Group intends to contest the claim, and while the final outcome of the proceedings is uncertain, it is the directors' opinion that the ultimate liability, if any, will not have a material impact on the Group's financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

19. CAPITAL COMMITMENTS

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Contracted but not provided for:		
Property, plant and equipment	684,841	275,058

20. EVENTS AFTER THE REPORTING PERIOD

On 25 July 2024, the Company entered into an agreement with independent third parties to purchase a worldwide global surface solutions business at an aggregate consideration of EUR665,000,000 (equivalent to approximately RMB5,187,000,000) which will be settled by cash, subject to the agreed pre-closing adjustments and post-closing adjustments, as disclosed in the Company's announcements dated 25 July 2024.

21. APPROVAL OF FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 August 2024.

OTHER INFORMATION

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

As of 30 June 2024, the interests and short positions of the Directors and chief executives of the Company or any of their associates in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have taken under such provisions of the SFO); (b) entered in the register kept by the Company pursuant to section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set forth in Appendix C3 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Name of Directors	Nature of interest and capacity	Number of Shares or underlying Shares held	Approximate percentage of shareholding
Mr SU	Interest in controlled corporation ⁽¹⁾	301,155,800	24.31%
	Interest in controlled corporation ⁽²⁾	45,337,828	3.66%
	Interest in controlled corporation ⁽³⁾	27,234,172	2.20%
	Interest in controlled corporation ⁽⁴⁾	1,068,000	0.09%
	Interest in controlled corporation ⁽⁵⁾	24,241,200	1.96%
	Interest in controlled corporation ⁽⁶⁾	19,692,948	1.58%
	Beneficial owner	3,053,000	0.24%
Mr JIN	Interest in controlled corporation ⁽⁵⁾	24,241,200	1.96%
	Interest in controlled corporation ⁽⁶⁾	19,692,948	1.58%
Mr BAI	Beneficial owner	694,000	0.06%
Mr HU	Interest in controlled corporation ⁽⁷⁾	19,285,200	1.56%

Notes:

- (1) The Shares are owned by Hongzun International Investment Group Ltd. ("**Hongzun International**"), which is wholly owned by Guangxi Hongzun Investment Group Co., Ltd. ("**Hongzun Investment**"). Hongzun Investment is owned as to 99.0% and 1.0% by Mr SU and Ms WANG Huan, the spouse of Mr SU, respectively. Therefore, Mr SU is deemed to be interested in all the Shares held by Hongzun Investment for the purpose of the SFO. Mr SU is the chairman of Hongzun Investment. Mr SU is the sole director of Hongzun Investment and Hongzun International, respectively.
- (2) Ertian International Investment Limited ("**Ertian International**") is wholly-owned by Mr SU. Therefore, Mr SU is deemed to be interested in all the Shares held by Ertian International for the purpose of the SFO. Mr SU is the sole director of Ertian International.
- (3) Seven Color Pearl Investment Limited ("**Seven Color Pearl Investment**") is wholly-owned by Mr SU. Therefore, Mr SU is deemed to be interested in all the Shares held by Seven Color Pearl Investment for the purpose of the SFO. Mr SU is the sole director of Seven Color Pearl Investment.

OTHER INFORMATION

- (4) The general partner of Liuzhou Lianrun Enterprise Management Partnership Enterprise (Limited Partnership) (“**Liuzhou Lianrun LP**”) is Mr SU who owns 11,000 shares of Liuzhou Lianrun LP. The original 21 individual equity holders of Guangxi Chesir Pearl Material Co., Ltd. (“**Chesir Pearl**”), who are limited partners and independent third parties, own 167,000 shares of Liuzhou Lianrun LP. Therefore, Mr SU is deemed to be interested in all the Shares held by Liuzhou Lianrun LP for the purpose of the SFO. For the avoidance of doubt, there is no individual limited partner contributed more than one-third of the capital contribution of Liuzhou Lianrun LP.
- (5) The general partner of Liuzhou Qise Enterprise Management Partnership Enterprise (Limited Partnership) (“**Liuzhou Qise LP**”) is Mr SU who owns 10,000 shares of Liuzhou Qise LP. Mr JIN, being one of the limited partners, owns 1,565,200 shares of Liuzhou Qise LP and the original 12 individual equity holders of Chesir Pearl, who are limited partners and independent third parties, own 2,465,000 shares of Liuzhou Qise LP. Therefore, Mr SU and Mr JIN are deemed to be interested in all the Shares held by Liuzhou Qise LP for the purpose of the SFO. For the avoidance of doubt, there is no individual limited partner (except Mr JIN) contributed more than one-third of the capital contribution of Liuzhou Qise LP.
- (6) The general partner of Liuzhou Colorful Enterprise Management Partnership Enterprise (Limited Partnership) (“**Liuzhou Colorful LP**”) is Mr SU who owns 10,000 shares of Liuzhou Colorful LP. Mr JIN, being one of the limited partners, owns 1,500,000 shares of Liuzhou Colorful LP and the original 10 individual equity holders of Chesir Pearl, who are limited partners and independent third parties, own 1,772,158 shares of Liuzhou Colorful LP. Therefore, Mr SU and Mr JIN are deemed to be interested in all the Shares held by of Liuzhou Colorful LP for the purpose of the SFO. For the avoidance of doubt, there is no individual limited partner (except Mr JIN) contributed more than one-third of the capital contribution of Liuzhou Colorful LP.
- (7) Mr HU is the sole director of China Banyan Capital INT Holdings Limited who owns 50 shares of China Banyan Capital INT Holdings Limited. The original 12 individual equity holders of Chesir Pearl, who are independent third parties, hold 49,950 shares of China Banyan Capital INT Holdings Limited. Therefore, Mr HU is deemed to be interested in the Shares held by China Banyan Capital INT Holdings Limited.

Save as disclosed above, as of 30 June 2024, none of the Directors or chief executive of the Company or any of their associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); (b) entered in the register kept by the Company pursuant to section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

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

As of 30 June 2024, the persons or corporations (not being a Director or chief executive of the Company) who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name of Shareholders	Nature of interest and capacity	Number of Shares or underlying Shares held	Approximate percentage of shareholding
Hongzun International	Beneficial owner	301,155,800	24.31%
Hongzun Investment	Interest in controlled corporation ⁽¹⁾	301,155,800	24.31%
Ms WANG Huan (" Ms WANG ")	Spouse interest ⁽²⁾	421,782,948	34.04%
Guangxi Energy Co., Ltd. (formerly known as Guangxi Guidong Electric Power Co., Ltd.) (" Guangxi Energy ")	Beneficial owner ⁽³⁾	107,178,000	8.65%
Guangxi Guangtou Zhengrun Development Group Co., Ltd. (formerly known as Guangxi Zhengrun Development Group Co., Ltd.)	Interest in controlled corporation ⁽³⁾	107,178,000	8.65%
Guangxi Investment Group Co., Ltd. (" Guangxi Investment ")	Interest in controlled corporation ⁽³⁾⁽⁴⁾	166,656,344	13.45%

Notes:

- (1) Hongzun International is wholly-owned by Hongzun Investment. Therefore, Hongzun Investment is deemed to be interested in all the Shares held by Hongzun International for the purpose of the SFO. Mr SU is the sole director of Hongzun International and Hongzun Investment.
- (2) Ms WANG was deemed to be interested in all the Shares held by her spouse, Mr SU.
- (3) Guangxi Energy is a listed company on the Shanghai Stock Exchange (stock code: 600310) and is owned as to 33.91% by Guangxi Guangtou Zhengrun Development Group Co., Ltd. (which in turn is wholly-owned by Guangxi Investment) as of 30 June 2024. Therefore, Guangxi Guangtou Zhengrun Development Group Co., Ltd and Guangxi Investment are deemed to be interested in all the Shares held by Guangxi Energy. Guangxi Investment is wholly-owned by the PRC government.
- (4) GX Land & Sea Connectivity Holding Ltd ("**GX Land & Sea**") owns 59,478,344 Shares as of 30 June 2024. GX Land & Sea is wholly-owned by Guangxi Land & Sea Connectivity Fund (Limited Partnership), which is a limited partnership established in the PRC. Guangxi Land & Sea Connectivity Fund (Limited Partnership) is owned as to 49.5% by Guangtou Capital Management Group Co., Ltd. and 49.5% by China Development Bank Capital Co., Ltd. and its general partner is Guangxi Luhai New Channel Equity Investment Management Center (Limited Partnership). Guangxi Luhai New Channel Equity Investment Management Center (Limited Partnership) is owned as to 39.6% by Yououbi Investment Management (Shanghai) Co., Ltd. and its general partner is Guangxi Luhai New Channel Equity Investment Management Co., Ltd., which in turn is owned as to 35.0% by China Development Bank Capital Co., Ltd. and 35.0% by Guangtou Capital Management Group Co., Ltd. Guangtou Capital Management Group Co., Ltd. is owned as to 51.0% by Guangxi Financial Investment Group Co., Ltd. and 49.0% by Guangxi Investment. Guangxi Investment is also the sole shareholder of Guangxi Financial Investment Group Co., Ltd, and is wholly-owned by the PRC government. China Development Bank Capital Co., Ltd. is wholly-owned by China Development Bank, which is owned as to 36.5% by the Ministry of Finance of the PRC and 34.7% by Central Huijin Investment Ltd. Central Huijin Investment Ltd. is wholly-owned by China Investment Co., Ltd., which in turn is wholly-owned by the PRC government. Therefore, Guangxi Investment is deemed to be interested in all the Shares held by GX Land & Sea.

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Save as disclosed above, as of 30 June 2024, the Directors were not aware of any other person or corporation having any interests or short positions in the Shares and underlying Shares as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) of the Company was approved and conditionally adopted pursuant to the resolutions passed by the Shareholders on 2 June 2021 for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. The salient terms of the Share Option Scheme were disclosed in the 2023 annual report of the Company pursuant to the requirements of Chapter 17 of the Listing Rules. No share option of the Company has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the date it became unconditional and up to the date of this interim report.

The number of share options available for grant under the Share Option Scheme was 116,269,558 share options as of 1 January 2024 and 30 June 2024, respectively.

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 (including sales of treasury shares (as defined in the Listing Rules)) during the 1H2024.

As at 30 June 2024, the Company did not hold any treasury shares.

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 1H2024. The unaudited condensed consolidated financial statements for the 1H2024 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.

OTHER INFORMATION

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 C1 to the Listing Rules and the Company has adopted the CG Code as its own code of corporate governance. The CG Code has been applicable to the Company during the 1H2024.

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, 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 1H2024. 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 as set forth in Appendix C3 to 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 1H2024.