



**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: 6616

**INTERIM REPORT  
2021**



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Directors

Mr. QIN Min  
Mr. HU Yongxiang

### Independent non-executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## JOINT COMPANY SECRETARIES

Mr. ZHOU Fangchao  
Mr. NG Cheuk Ming

## AUDITOR

RSM Hong Kong  
*Certified Public Accountants*

## HONG KONG LEGAL ADVISER

Squire Patton Boggs

## COMPLIANCE ADVISER

Essence Corporate Finance (Hong Kong) Limited

## PRINCIPAL BANKERS

*In Hong Kong:*  
Citibank (Hong Kong) Limited  
*In the PRC:*  
Bank of Liuzhou Co., Ltd.  
Liuzhou Urban Rural credit cooperative Union

## REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

## PRINCIPAL 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

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

## COMPANY'S WEBSITE

[www.chesir.net](http://www.chesir.net)

## STOCK CODE

06616

## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Global New Material International Holdings Limited (the "**Company**") together with its subsidiaries, the "**Group**"), I am pleased to present the interim results of the Group for the six months ended 30 June 2021 ("**1H2021**") and the comparative figures for the six months ended 30 June 2020 ("**1H2020**").

On 30 June 2021, being the last day of 1H2021, the Company issued its prospectus (the "**Prospectus**") for the global offering (the "**Global Offering**") and the listing (the "**Listing**") of its shares (the "**Shares**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Shares have been listed on the Stock Exchange since 16 July 2021 (the "**Listing Date**"). The Global Offering and the Listing facilitate the future business development of the Group. The amount of the net proceeds from the Global Offering, including the net proceeds received from the partial exercise of the Over-allotment Option (as defined and described in the Prospectus) on 5 August 2021 as part of the Global Offering, amounted to HK\$970.2 million, further information on which is set forth in the paragraphs under "Use of Net Proceeds from the Global Offering" in this report.

The Group will continue to uphold its mission of "奉獻精品，為世界創造美麗色彩 (Dedicating to Excellence and Creating Beautiful Colours for the World)" and adhere to the corporate value of "誠信、創新、領先、和諧 (Integrity, Innovation, Leadership and Harmony)".

The Group has become one of the largest pearlescent pigment producers in the PRC. According to the report commissioned by the Group and prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the Group is also the largest pearlescent pigment producer in the PRC market as measured by revenue in 2020 with a market share of 11.0%. In the global market, the Group is the fourth largest pearlescent pigment producer as measured by revenue in 2020 with a market share of 3.0%. The revenue generated from sales of pearlescent pigment products reached RMB306.1 million during 1H2021, representing an increase of 25.9% compared to the same during 1H2020.

During 1H2021, the social activities and economic development of the People's Republic of China (the "**PRC**") continued to recover, with total retail sales of consumer goods increased by 13.9% compared with the corresponding period in 2020, which contributed to the increased use of pearlescent pigment products. At policy level, the production of high-temperature resistant and high-insulating synthetic crystals, i.e. synthetic mica, and the production of pearlescent pigment products have been listed as encouraged industries by The National Development and Reform Commission (國家發展和改革委員會) of the PRC, and a number of new industry standards came into effect, enhancing the use of pearlescent pigment products in the field of cosmetics and automotive coatings. At the same time, the wider application of pearlescent pigment products in the industry and the stable supply of key production factors in the market were beneficial to the Group's business development.

During 1H2021, the Group made significant progress in technological research and development and continued to expand the number of pearlescent pigment products offered. During 1H2021, the Group has launched 20 natural mica-based pearlescent pigment products, 17 synthetic mica-based pearlescent pigment products and three silicon oxide-based pearlescent pigment products, bringing the total number of pearlescent pigment products offered to 791 as of 30 June 2021. In addition, 16 patents were successfully obtained and two patent applications were filed in the PRC during 1H2021.

During 1H2021, the Group continued to expand its production capacity to further strengthen its market position. As of 30 June 2021, the initial preparation works including underground foundation works and construction of temporary roads and facilities for the Phase 2 Production Plant have been completed. The construction of Phase 2 Production Plant is in progress and the Group has commenced the procurement of the required equipment and machinery. For the construction of the Luzhai Synthetic Mica Plant, initial preparation works such as project approval and planning for the site formation works have been commenced. The Phase 2 Production Plant and the Luzhai Synthetic Mica Plant are expected to commence the first stage of commercial production in the fourth quarter of 2021 and the second quarter of 2022, respectively, as planned.

## CHAIRMAN'S STATEMENT

Looking ahead, driven by the policy, the use of green production and low-carbon technologies in the manufacturing industry will become a significant trend, and the industry will adopt more environmental-friendly production technologies and production processes with clean, heavy metal-free raw material to expedite the replacement of traditional chemical-based pigment products. In terms of application, the penetration of pearlescent pigments in the automotive and cosmetic sectors is expected to increase. By 2025, the PRC automotive pearlescent pigment market is expected to reach RMB1,702.9 million, representing a compound annual growth rate of 52.4%, while the PRC cosmetics pearlescent pigment market is expected to reach RMB2.3 billion, representing a compound annual growth rate of 34.0%.

The Group will continue to focus its efforts on expanding the production capacity of pearlescent pigment products, strengthening the research and development capacity and enhancing the brand awareness of products of the Group. The Group will also improve the production and processing technologies to meet the latest industry trends and changing customer requirements.

On behalf of the Board, I would like to express my sincere gratitude to the Group's management and employees for their continuous dedicated contributions and to all shareholders and business partners for their generous support.

**SU Ertian**

*Chairman and Chief Executive Officer*

30 August 2021

# MARKET AND BUSINESS REVIEW AND OUTLOOK

## MARKET AND BUSINESS REVIEW

### Overall market review

During 1H2021, the economy of the PRC has a significant impact on the demand and supply dynamics in the pearlescent pigment market, and the following sets forth the significant factors which affect the pearlescent pigment market:

#### ***Increasing demand for pearlescent pigment products as a result of economic rebound***

The demand for the Group's pearlescent pigment products was driven by the increasing levels of production activities and more importantly, the increasing applications of the pearlescent pigment products. During 1H2021, the spread of the COVID-19 pandemic in the PRC was generally under control and as such, the levels of production activities have increased, as compared to 1H2020, and this has positive impact on the income levels in the PRC. For example, the national per capita disposable income in the PRC in 1H2021 was RMB17,642, representing a period-to-period increase of 12.6%, whilst the total retail sales of consumer goods in the PRC increased by 13.9% period-to-period. The increases in the production activities have reduced the urban unemployment average rate to 5.2% in 1H2021, as compared to 5.8% in 1H2020. During 1H2021, the increases in the production activities and the PRC consumption market have driven the increasing use of pearlescent pigment products.

#### ***Supportive government industry policies and new product standards***

The National Development and Reform Commission (國家發展和改革委員會) of the PRC has implemented The Catalogue of Industries for Encouraged Foreign Investment (2020 Edition) (《鼓勵外商投資產業目錄(2020年版)》) since 27 January 2021, pursuant to which production of high-temperature resistant and high-insulating synthetic crystals, i.e. synthetic mica, and production of pearlescent pigment products have been listed as encouraged industries.

In addition, the National Technical Committee on Paints and Pigments of Standardisation Administration (全國塗料和顏料標準化技術委員會) of the PRC has implemented a number of new industry standards since 1 April 2021, including "UV-curable Coatings for Cosmetic Packaging Materials", "Coatings for Railway Vehicles" and "Marine Fouling Self-peeling Antifouling Coatings", which stipulate the requirements and the rules on test methods and inspection for coatings. Because of the safety feature of the pearlescent pigment products, the introduction of the new industry standards has further enhanced the use of pearlescent pigment products in the field of cosmetics and automotive coatings.

#### ***Increasing downstream applications of pearlescent pigment products***

Pearlescent pigment products have been increasingly used in certain new applications, and the following sets forth some examples:

- Due to its low heavy-metal contents and the feature to withstand extreme temperature environment, pearlescent pigment products are currently used by food packaging manufacturers as food packaging materials. Pearlescent pigment products are generally more colourful than the traditional colourants and attractive to consumers with no compromise on food safety.
- Wallpaper products are becoming popular in the PRC. Because of the features of environmental-friendly, temperature resistance, weather resistance, lightfastness, water resistance and stable colour fastness, pearlescent pigment products are increasingly used in place of latex painting and coating products.
- The three-dimensional printing materials made from pearlescent pigment products combined with polylactic acid is more environmental-friendly than the conventional raw materials, such as aluminium silver powder combined with ABS plastic. Pearlescent pigment products also provide pearlescent effect to the printed products which have good gloss, lightfastness and stability.

## MARKET AND BUSINESS REVIEW AND OUTLOOK

### ***Stable supply of key production factors in the pearlescent pigment market***

The demand for pearlescent pigment products in the PRC has increased during 1H2021. The macro-economy in the PRC has gradually improved, so as the levels of economic activities in almost all industries in the PRC. On the supply of principal raw materials, the Group did not encounter any significant shortage or cost fluctuations. The supply of labour in the production of pearlescent pigment products also remained steady. The production levels of the principal chemical materials grew by 14.5% during 1H2021 which was beneficial to the business of the Group. Hence, the business environment in which the Group operates was generally better than the same in 1H2020 during which certain PRC cities were subject to lock-down and quarantine measures.

### **Overall business review**

The Group is the largest pearlescent pigment producer in the PRC market as measured by revenue in 2020 with a market share of 11.0%, according to the report commissioned by the Group and prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.. In the global market, the Group is the fourth largest pearlescent pigment producer as measured by revenue in 2020 with a market share of 3.0%. The principal products of the Group include natural mica-based and synthetic mica-based pearlescent pigment products. Pearlescent pigment products are generally used as colourants in a wide range of industrial and non-industrial applications. The synthetic mica-based pearlescent pigment market is in a state of rapid development and accounted for 15.8% of the PRC pearlescent pigment market of RMB4,843.9 million in 2020. The market size of the global pearlescent pigment market reached RMB18.9 billion in 2020, in which the synthetic mica-based pearlescent pigment market accounted for a market share of 11.7%.

The business of the Group principally focuses on the production and sales of a comprehensive portfolio of pearlescent pigment products for use in diverse applications and industries, including industrial coatings, plastics, textiles and leather, cosmetics and automotive coatings. The Group is a midstream producer in the value chain of pearlescent pigment industry, and the current pearlescent pigment products of the Group can be broadly divided into (a) natural mica-based pearlescent pigment products; (b) synthetic mica-based pearlescent pigment products; (c) glass flake-based pearlescent pigment products; and (d) silicon oxide-based pearlescent pigment products, which are sold to customers in the PRC and more than 30 countries and territories in Asia (excluding the PRC), Europe, Africa and South America under our brand of "**Chesir Pearl**"  CHESIR . In addition, the Group also produces and sells synthetic mica powder of different granule sizes which can be used for the production of different grades of pearlescent pigment products (including those used in cosmetics, ceramics and automotive applications) and also as raw materials for the production of functional fillers, insulating materials, refractory materials and nickel-hydrogen batteries.

The pearlescent pigment products of the Group primarily use natural mica, synthetic mica, glass flakes and silica as substrates, which are coated with a single or multiple layers of metal oxides. As of 30 June 2021, the pearlescent pigment products offered by the Group comprised a comprehensive portfolio of various applications, colours, texture and glossiness, which include 483 natural mica-based pearlescent pigment products, 270 synthetic mica-based pearlescent pigment products, 30 glass flake-based pearlescent pigment products and eight silicon oxide-based pearlescent pigment products.

The Company has been listed on the Stock Exchange since 16 July 2021. The Group has completed various reorganisation steps whereby the Company has become the holding company of members of the Group since November 2020. The Company was incorporated in the Cayman Islands with limited liability on 8 June 2018 and is an investment holding company.

During 1H2021, the Company made significant progress in technological research and development, and the number of pearlescent pigment products offered by the Group continued to expand. During 1H2021, the Company has launched 20 natural mica-based pearlescent pigment products, 17 synthetic mica-based pearlescent pigment products and three silicon oxide-based pearlescent pigment products. The total number of pearlescent pigment products offered by the Group has reached 791 as of 30 June 2021. In addition, the Company has successfully obtained 16 patents and has submitted two patent applications in the PRC during 1H2021, which not only reflect the Group's strong research and development capability, but also further enhance the Group's protection of core technology.

## MARKET AND BUSINESS REVIEW AND OUTLOOK

The Group has adopted a proactive strategy to further strengthen the development of the international market, resulting in the growth of the number of domestic and international customers. After years of business cooperation, the Group has established long-term stable and mutually trusting cooperative relationships with major trading company customers and end user customers.

The Group has continued to receive strong support from the government. During 1H2021, two projects, namely “Development and Application Project of High Quality Cosmetic Grade Microspheres and Micronised Series of Pearlescent Pigment Products” and “Development and Industrialisation of Pearlescent Pigments for Water-based Environmentally Friendly Coatings”, were supported by the government subsidies.

### Impact of the COVID-19 pandemic

The COVID-19 pandemic has led to the decrease in the supply of natural mica, and thus promoted the continuous replacement of the natural mica with the synthetic mica particularly in the production of pearlescent pigment products. The Group uses synthetic mica as one of the raw materials for the production of pearlescent pigment products and would be able to expand the market share in the PRC and the international markets.

In order to alleviate the impact of the COVID-19 pandemic, countries have launched fiscal stimulus policies. For example, in January 2021, the Ministry of Commerce of the PRC issued the Notice on Accelerating the Development of Digital Business and Serving the Establishment of a New Development Pattern 《關於加快數字商務建設 服務構建新發展格局的通知》, which proposed to serve the establishment of a new development pattern with a large domestic cycle as the mainstay and a dual domestic and international cycle to promote each other. In addition, the Ministry of Commerce designated May 2021 as the National Consumption Promotion Month, and more than 1,300 large-scale promotional activities were launched across the country during the month. As one of the raw materials for the production of many consumer products, pearlescent materials are expected to gain further development.

## MARKET AND BUSINESS OUTLOOK

### Market outlook

On 1 July 2021, the National Development and Reform Commission (國家發展和改革委員會) of the PRC issued the “14th Five-Year Plan for the Development of the Circular Economy”, which is aimed to increase the strength and the efficiency of the internal circulated economic structure that would be adapted in the PRC. The 14th Five-Year Plan also promotes the use of green production and low-carbon technologies in the manufacturing industry. It is essential for the pearlescent pigment industry to use environmental-friendly production technology and clean and heavy metal-free raw materials and production process for the purpose of expediting the replacement of the traditional chemical-based pigment products.

The Group will continue to explore the use of pearlescent pigment products in automotive and cosmetic applications. The PRC automotive pearlescent pigments market is expected to reach RMB1,702.9 million in 2025, with a compound annual growth rate of 52.4%. At present, pearlescent pigments have been widely used in automotive paints and high-end refinishing paints because of their high weathering resistance, and the colour offering has expanded to a wide range of colours with further increase in pearlescent pigment penetration is expected.

With the continuous improvements in the PRC living standards, disposable income and awareness of appearance in recent years, the application of pearlescent pigment products in cosmetics is expected to develop rapidly due to the non-toxic characteristic and good pearlescent effect. According to the National Bureau of Statistics (國家統計局) of the PRC, the national retail sales of cosmetics for the year ended 31 December 2020 amounted to RMB340.0 billion, representing an increase of 9.5% as compared to the year ended 31 December 2019. The growth rate of national retail sales of cosmetics for the year ended 31 December 2020 was also 13.4% higher than the growth rate of total retail sales of general consumer goods during the same period. The PRC cosmetics pearlescent pigment market is expected to reach RMB2.3 billion by 2025 at a compound annual growth rate of 34.0%.

## MARKET AND BUSINESS REVIEW AND OUTLOOK

Recently, the State Administration for Market Regulation (國家市場監督管理總局) of the PRC has released a number of cosmetic supervision and management regulations, such as the Supervision and Administration Measures for Cosmetic Production and Operation (《化妝品生產經營監督管理辦法》) on 26 July 2021 which strengthens the supervision and management of the cosmetic industry and strictly regulates the quality of cosmetic production as well as the use of environment-friendly and non-toxic raw materials. Therefore, the recognition of cosmetic grade pearlescent pigment products that are non-toxic, easy-to-use and have excellent pearlescent effect is expected to continue to increase.

### Implementation plans

There has been no significant change to the implementation plans of the Group set forth in the section headed "Future Plans and Proposed Use of the Net Proceeds from the Global Offering" of the Prospectus. The following sets forth updated information on the implementation plans of the Group during the second half of 2021:

#### ***Expand the production capacity for the pearlescent pigment products***

As of 30 June 2021, the Group has completed the initial preparation works including underground foundation works and construction of temporary roads and facilities for the Phase 2 Production Plant. The construction of the Phase 2 Production Plant is in progress and the Group has commenced the procurement of the required equipment and machinery. In addition, the Group has commenced the initial preparation works, such as obtaining the project approval and planning for the site formation works, for the Luzhai Synthetic Mica Plant. The Phase 2 Production Plant and the Luzhai Synthetic Mica Plant are expected to commence the first stage of commercial production in the fourth quarter of 2021 and the second quarter of 2022, respectively, as planned.

#### ***Strengthen the research and development efforts***

The Group will continue its research and development efforts in the development of new pearlescent pigment products and new applications, improvement in the production process and technology and to cater to the latest industry trends and the changing requirements of the customers.

#### ***Promote brand awareness***

The Group plans to launch additional marketing campaigns and advertise the pearlescent pigment products of the Group on industry journals, newspapers and online media. The Group also plans to participate in technology training seminars, forums and exhibitions in the PRC and the international markets.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

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 Group is engaged in the business of the production and sales of pearlescent pigment products and synthetic mica powder in the PRC. The assets of the Group are substantially located in the PRC, and the Group operates one single reportable business segment which is regularly reviewed by its chief operating decision maker. This reportable business segment is a strategic business unit that offers two principal types of products, namely (a) pearlescent pigment products and (b) synthetic mica powder sold to customers, and is centrally managed with the required technology and marketing strategies. The table below sets forth an analysis of revenue by major products during 1H2021 (with comparative figures for 1H2020):

	Six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
Pearlescent pigment products				
– Natural mica-based	169,788	55.3	140,684	57.4
– Synthetic mica-based	113,161	36.9	86,235	35.2
– Glass flake-based	21,937	7.1	14,995	6.1
– Silicon oxide-based	1,229	0.4	1,309	0.6
	<b>306,115</b>	<b>99.7</b>	243,223	99.3
Synthetic mica powder	912	0.3	1,785	0.7
<b>Total</b>	<b>307,027</b>	<b>100.0</b>	245,008	100.0

The customers of the Group may be broadly divided into trading company customers and end user customers. The former will re-sell the products to their own customers with whom the Group does not have direct contractual relationship. End user customers are customers using the pearlescent pigment products for their own use and production purpose. The table below sets forth an analysis of the Group's sales to trading company customers and end user customers by products during 1H2021 (with comparative figures for 1H2020):

	Six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
Trading company customers				
– Pearlescent pigment products	254,318	82.8	198,551	81.1
– Synthetic mica powder	143	—*	58	—*
	<b>254,461</b>	<b>82.8</b>	198,609	81.1
End user customers				
– Pearlescent pigment products	51,797	16.9	44,672	18.2
– Synthetic mica powder	769	0.3	1,727	0.7
	<b>52,566</b>	<b>17.2</b>	46,399	18.9
<b>Total</b>	<b>307,027</b>	<b>100.0</b>	245,008	100.0

\* Value insignificant

## MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth an analysis of the Group's sales to customers by location during 1H2021 (with comparative figures for 1H2020):

	Six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
PRC	295,441	96.2	230,700	94.2
Asia <sup>(1)</sup>	5,075	1.7	6,007	2.5
Europe <sup>(2)</sup>	3,466	1.1	6,714	2.7
Africa <sup>(3)</sup>	2,884	0.9	1,490	0.6
South America <sup>(4)</sup>	161	0.1	97	—*
<b>Total</b>	<b>307,027</b>	<b>100.0</b>	<b>245,008</b>	<b>100.0</b>

\* Value insignificant

Notes:

- (1) Countries and territories in Asia include Pakistan, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan, South Korea, Kuwait, Bangladesh, Japan, Saudi Arabia, Thailand, Turkey, Israel, India, Indonesia, Jordan and Vietnam.
- (2) European countries include Estonia, Belgium, Poland, Germany, Russia, Ukraine, Finland, Netherlands, Serbia, Greece, Italy and United Kingdom.
- (3) Countries in Africa include Algeria, Morocco, Tunisia and Egypt.
- (4) Countries in South America include Brazil and Chile.

### **Sales of pearlescent pigment products**

The revenue generated from sales of pearlescent pigment products increased from RMB243.2 million during 1H2020 to RMB306.1 million during 1H2021, representing an increase of RMB62.9 million or 25.9%. Sales of natural mica-based pearlescent pigment products increased by RMB29.1 million, or 20.7%, as compared to the same during 1H2020. The Group expanded its product offering of natural mica-based pearlescent pigment products from 161 during 1H2020 to 164 during 1H2021. Sales of synthetic mica-based pearlescent pigment products increased by RMB26.9 million, or 31.2%, as compared to the same during 1H2020. The Group expanded its product offering of synthetic mica-based pearlescent pigment products from 167 during 1H2020 to 187 during 1H2021. Sales of glass flake-based pearlescent pigment products also increased by RMB6.9 million, or 46.3%, as compared to the same during 1H2020. The increase in sales of glass flake-based pearlescent pigment products during 1H2021 was mainly due to the Group's increased marketing efforts to promote its glass flake-based pearlescent pigment products. The Group also sold silicon oxide-based pearlescent pigment products and contributed revenue of RMB1.2 million for 1H2021.

### **Sales of synthetic mica powder**

Synthetic mica powder produced by the Group was primarily used for its own production of synthetic mica-based pearlescent pigment products. The sales of synthetic mica powder decreased from RMB1.8 million for 1H2020 to RMB0.9 million for 1H2021. The decrease was due to the increasing demand for the synthetic mica-based pearlescent pigment products and the Group retained most of the synthetic mica flakes (being the semi-finished product of synthetic mica powder, which will undergo pulping to form synthetic mica in wet state) produced for own production of synthetic mica-based pearlescent pigment products.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Cost of goods sold

The cost of goods sold increased by 15.9% from RMB123.5 million for 1H2020 to RMB143.1 million for 1H2021. The increase in cost of goods sold was mainly due to the increase in the sales volume of pearlescent pigment products by 26.9% from 6,083 tonnes for 1H2020 to 7,717 tonnes for 1H2021.

### Gross profit and gross profit margin

The overall gross profit increased from RMB119.1 million during 1H2020 to RMB161.9 million during 1H2021, representing an increase of 36.0%. The increase in the amount of the gross profit was primarily due to the increase in the amount of revenue. The gross profit margin during 1H2021 was 52.7%, as compared to 48.6% for 1H2020. The improvement in the gross profit margin was mainly attributable to the increase in the percentage of sales of synthetic mica-based and glass flake-based pearlescent pigment products which enjoyed a higher gross profit margin than natural mica-based pearlescent pigment products.

### Other income and other gains and losses

The amount of other income and other gains and losses during 1H2021 was RMB4.4 million, as compared to RMB3.0 million during 1H2020. The increase was primarily due to the increase in the government grants provided by the PRC Government for the research and development achievements accomplished by the Group by RMB1.0 million and the decrease in fair value loss by RMB0.8 million on the derivative component of the convertible bonds in the principal amount of RMB72,240,000 issued by Guangxi Chesir Pearl Material Co., Ltd. (廣西七色珠光材料股份有限公司) (“**Chesir Pearl**”) to two bondholders on 31 May 2019 (the “**2019 Convertible Bonds**”) which had been transferred to Guangxi Guidong Electric Power Co., Ltd. (廣西桂東電力股份有限公司) (“**Guidong Electric**”) on 16 October 2020 and the conversion right attached therewith had been exercised in full by Guidong Electric on 19 October 2020.

### Reversals of impairment losses on/(impairment losses for) trade receivables and other receivables

Reversals of impairment loss under expected credit loss model during 1H2021 was RMB3.4 million, as compared to provision of impairment losses of RMB3.1 million during 1H2020.

### Selling expenses

The selling expenses increased from RMB8.8 million during 1H2020 to RMB12.5 million during 1H2021, representing an increase of 41.1%. The increase in the amount of selling expenses was mainly due to the increases in (a) the transportation expenses for delivery of the Group's products of RMB1.2 million; (b) the marketing expenses of RMB1.3 million to promote the Group's pearlescent pigment products; and (c) the travelling and business development expenses of RMB0.9 million as a result of frequent customer visits in the PRC.

### Administrative and other operating expenses

The administrative and other expenses increased from RMB26.5 million during 1H2020 to RMB40.9 million during 1H2021, representing an increase of 54.7%. The increase was primarily due to the amount of the Listing expenses incurred and charged to profit or loss of RMB8.6 million during 1H2021, as compared to the Listing expenses of RMB3.9 million charged to profit or loss during 1H2020.

According to the accounting policies adopted by the Group, the expenses incurred on research and development activities were charged to profit or loss. The Group incurred RMB18.0 million for its research and development activities during 1H2021, as compared to RMB10.7 million during 1H2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Finance costs

The finance costs decreased from RMB10.2 million during 1H2020 to RMB6.1 million during 1H2021, representing a decrease of 40.5%. Such decrease was primarily due to the decrease in interest payments as a result of (a) the repayment of bank loans of RMB3.6 million and finance lease of RMB14.1 million during 1H2021 and (b) the conversion of the 2019 Convertible Bonds on 19 October 2020.

### Income tax expense

The income tax expense increased from RMB10.8 million during 1H2020 to RMB12.2 million during 1H2021. The increase was primarily due to the increase in the amount of profit before tax to RMB110.3 million during 1H2021 which was in turn due to the increase in the amount of revenue.

### Profit for the period

As a result of the foregoing, the profit increased from RMB62.7 million during 1H2020 to RMB98.2 million during 1H2021, representing an increase of 56.5%. The profit margin increased from 25.6% for 1H2020 to 32.0% for 1H2021. The improvement in the profit margin was due to the factors stated above.

## INTERIM DIVIDEND

The Board has decided not to declare and pay any interim dividend for 1H2021 (1H2020: Nil).

## LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2020 and 30 June 2021, the bank and cash balances amounted to RMB747.6 million and RMB740.9 million, respectively. The bank and cash balances were maintained at a prudent level for the purpose of satisfying the requirements for daily business operations of the Group. The decrease in bank and cash balances as of 30 June 2021 was mainly due to the payment of construction costs for the Phase 2 Production Plant.

As of 31 December 2020 and 30 June 2021, the outstanding bank loans and other borrowings amounted to RMB165.6 million and RMB155.0 million, respectively. The decrease in outstanding bank loans and other borrowings was mainly due to the repayment of bank loans of RMB3.6 million and finance lease of RMB14.1 million during 1H2021.

## GEARING

The Group monitors capital using a gearing ratio, which is total liability divided by the equity. The gearing ratio of the Group was 16.5% as of 30 June 2021 (31 December 2020: 18.3%).

## CAPITAL COMMITMENT

Capital commitments represent the amount of capital expenditure contracted for as of a particular date but not yet incurred. As of 31 December 2020 and 30 June 2021, the capital commitments amounted to RMB568.3 million and RMB424.0 million, respectively, which represent the commitments to purchase property, plant and equipment and include (a) the modifications and expansions of the production plant currently used by the Group for the research and development and production of the pearlescent pigment products and synthetic mica powder located in Liuzhou City, Guangxi Zhuang Autonomous Region, the PRC (the "**Phase 1 Production Plant**") and (b) the construction of the Phase 2 Production Plant and the Luzhai Synthetic Mica Plant and the acquisition of the related production facilities.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FOREIGN EXCHANGE EXPOSURE

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

### CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as of 30 June 2021.

### USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Shares have been listed on the Stock Exchange since 16 July 2021. The Over-allotment Option (as defined and described in the Prospectus) was partially exercised on 5 August 2021. The total number of Shares newly issued by the Company under the Global Offering was 319,742,000 and the amount of the net proceeds amounted to HK\$970.2 million. The Company received the amount of the net proceeds from the Global Offering in July 2021 and August 2021. The table below sets forth the intended use of the net proceeds from the Global Offering and the Over-allotment Option and actual usage up to the date of this report:

Prescribed usage	Allocation of the net proceeds from the Global Offering and the Over-allotment Option HK\$' million	Percentage to the total net proceeds %	Amount utilised up to the date of this report HK\$' million	Remaining balance as of the date of this report HK\$' million	Expected timeline for the intended use
Construction of the Phase 2 Production Plant <sup>(1)</sup>	539.5	55.6	—	539.5	By the first quarter of 2025
Construction of the Luzhai Synthetic Mica Plant <sup>(2)</sup>	330.8	34.1	—	330.8	By the second quarter of 2025
Increase investment in research and development facilities and testing equipment of the research and development centre	68.9	7.1	—	68.9	By end of 2022
Sales and marketing activities and building sales network	31.0	3.2	—	31.0	By end of 2023
<b>Total</b>	<b>970.2</b>	<b>100.0</b>	<b>—</b>	<b>970.2</b>	

Notes:

- (1) Phase 2 Production Plant is the production plant to be constructed with an estimated total site area of 148,713.7 sq.m. for the production of pearlescent pigment products with an estimated designed annual production capacity of 30,000 tonnes.
- (2) Luzhai Synthetic Mica Plant is the production plant to be constructed with an estimated site area of 42,467.2 sq.m. for the production of synthetic mica flakes with an estimated designed annual production capacity of 30,000 tonnes.

As of the date of this report, the unutilised proceeds are deposited in licensed banks in Hong Kong and the PRC.

## MANAGEMENT DISCUSSION AND ANALYSIS

### SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL

The Group did not have any significant investment, material acquisition or disposal for 1H2021.

### EMPLOYEES AND REMUNERATION POLICIES

The Group had 487 employees in the PRC as of 30 June 2021 (31 December 2020: 462). The Group encourages high productivity and remunerates its employees based on their qualification, work experiences, prevailing market prices and contribution to the Group. Incentives in the form of bonuses and share options may also be offered to eligible employees based on individual performance.

### SUBSEQUENT EVENTS

The Shares have been listed on the Stock Exchange since 16 July 2021 with 290,674,000 Shares newly issued at the offer price of HK\$3.25 for each Share under the Global Offering. The net proceeds from the Global Offering has increased the net assets of the Group. On 5 August 2021, the Company announced that the Over-allotment Option (as defined and described in the Prospectus) was partially exercised, pursuant to which 29,068,000 Shares have been issued at the same offer price of HK\$3.25 for each Share. The Company has received additional net proceeds from the partial exercise of the Over-allotment Option.

Save as disclosed above, there was no significant event affecting the Group which occurred after the end of 1H2021 and up to the date of this report.

# 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 17 to 29 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2021 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 a summary of significant accounting policies and other 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

30 August 2021

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Note	Unaudited Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
<b>Revenue</b>	4	<b>307,027</b>	245,008
Cost of goods sold		<b>(143,084)</b>	(123,466)
Sales related tax and auxiliary charges		<b>(2,009)</b>	(2,463)
<b>Gross profit</b>		<b>161,934</b>	119,079
Other income and other gains and losses		<b>4,425</b>	3,029
Reversals of impairment losses on trade and other receivables/(Impairment losses for trade and other receivables)		<b>3,435</b>	(3,131)
Selling expenses		<b>(12,469)</b>	(8,835)
Administrative and other operating expenses		<b>(40,909)</b>	(26,450)
<b>Profit from operations</b>		<b>116,416</b>	83,692
Finance costs		<b>(6,073)</b>	(10,207)
<b>Profit before tax</b>		<b>110,343</b>	73,485
Income tax expense	5	<b>(12,162)</b>	(10,757)
<b>Profit for the period</b>	6	<b>98,181</b>	62,728
<b>Attributable to:</b>			
Owners of the Company		<b>94,115</b>	61,002
Non-controlling interests		<b>4,066</b>	1,726
		<b>98,181</b>	62,728
<b>Earnings per share</b>	8		
– Basic (RMB)		<b>0.11</b>	0.07
– Diluted (RMB)		<b>0.11</b>	0.07

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

For the six months ended 30 June 2021

	Unaudited Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<b>Profit for the period</b>	<b>98,181</b>	62,728
<b>Other comprehensive income:</b>		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(1)	—
<b>Other comprehensive income for the period, net of tax</b>	<b>(1)</b>	—
<b>Total comprehensive income for the period</b>	<b>98,180</b>	62,728
<b>Attributable to:</b>		
Owners of the Company	<b>94,114</b>	61,002
Non-controlling interests	<b>4,066</b>	1,726
	<b>98,180</b>	62,728

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Note	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	557,985	486,170
Right-of-use assets		67,243	68,247
Deposits paid for acquisition of property, plant and equipment		183	184
Deferred tax assets		1,190	1,190
<b>Total non-current assets</b>		<b>626,601</b>	555,791
<b>Current assets</b>			
Inventories		108,749	75,371
Trade receivables	10	182,370	191,951
Deposits, prepayments and other receivables		25,387	23,609
Bank and cash balances		740,884	747,582
<b>Total current assets</b>		<b>1,057,390</b>	1,038,513
<b>TOTAL ASSETS</b>		<b>1,683,991</b>	1,594,304

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Note	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to owners of the Company			
Share capital	12	12,342	12,342
Reserves		1,263,011	1,168,897
		<b>1,275,353</b>	1,181,239
Non-controlling interests		170,140	166,074
<b>Total equity</b>		<b>1,445,493</b>	1,347,313
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank loans and other borrowings		73,740	75,366
Lease liabilities		1,727	2,044
Deferred revenue		4,627	5,351
<b>Total non-current liabilities</b>		<b>80,094</b>	82,761
<b>Current liabilities</b>			
Bank loans and other borrowings		81,210	90,273
Lease liabilities		603	577
Trade payables	11	27,948	21,891
Accruals and other payables		41,176	42,056
Contract liabilities		48	446
Deferred revenue		1,598	2,136
Current tax liabilities		5,821	6,851
<b>Total current liabilities</b>		<b>158,404</b>	164,230
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,683,991</b>	1,594,304

Approved by the Board of Directors on 30 August 2021 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 2021

	Unaudited									
	Attributable to owners of the Company									
	Share capital	Other reserve	Merger reserve	Convertible loans reserve	Foreign currency translation reserve	Statutory surplus reserve	Retained earnings	Total	Non-controlling interests	Total equity
At 1 January 2020	330	430,066	116,774	8,163	14	30,193	126,668	712,208	161,385	873,593
Total comprehensive income for the period	—	—	—	—	—	—	61,002	61,002	1,726	62,728
Changes in equity for the period	—	—	—	—	—	—	61,002	61,002	1,726	62,728
At 30 June 2020	330	430,066	116,774	8,163	14	30,193	187,670	773,210	163,111	936,321
At 1 January 2021	<b>12,342</b>	<b>726,299</b>	<b>137,549</b>	—	<b>16</b>	<b>45,500</b>	<b>259,533</b>	<b>1,181,239</b>	<b>166,074</b>	<b>1,347,313</b>
Total comprehensive income for the period	—	—	—	—	(1)	—	94,115	94,114	4,066	98,180
Changes in equity for the period	—	—	—	—	(1)	—	94,115	94,114	4,066	98,180
At 30 June 2021	<b>12,342</b>	<b>726,299</b>	<b>137,549</b>	—	<b>15</b>	<b>45,500</b>	<b>353,648</b>	<b>1,275,353</b>	<b>170,140</b>	<b>1,445,493</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Unaudited Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>86,432</b>	12,737
Purchase of property, plant and equipment	(83,425)	(14,910)
Payments for right-of-use assets	—	(312)
Interest received	1,276	985
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(82,149)</b>	(14,237)
Bank loans and other borrowings raised	6,992	16,167
Repayment of bank loans and other borrowings	(17,681)	(4,511)
Principal elements of lease payments	(291)	(263)
Decrease in amount due to a director	—	(363)
Repayment in amount due from a shareholder	—	330
<b>NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES</b>	<b>(10,980)</b>	11,360
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(6,697)</b>	9,860
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>(1)</b>	—
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>747,582</b>	559,839
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>740,884</b>	569,699

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 1. BASIS OF PREPARATION

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

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020. 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 2020.

Pursuant to the group reorganisation (the "**Reorganisation**") as more fully explained in the section headed "History, Development and Reorganisation" of the prospectus dated 30 June 2021 (the "**Prospectus**") issued by the Company, the Company became the holding company of the companies now comprising the Group on 18 November 2020. As the Reorganisation involved only the insertion of new holding companies at the top of the existing group and did not result in any change in economic substance in terms of the ownership and control of the Group, the condensed consolidated financial statements have been prepared as a continuation of the existing group using the principles of merger accounting.

## 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies applied in these condensed consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2020. In the current period, the Group has adopted all the new and revised International Financial Reporting Standards ("**IFRSs**") issued by the IASB that are relevant to its operations and effective for its accounting period beginning on 1 January 2021 but they do not have a material effect on the Group's consolidated financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

### 3. SEGMENT INFORMATION

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

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

#### Geographical information:

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
The PRC	295,441	230,700
Others	11,586	14,308
<b>Total</b>	<b>307,027</b>	<b>245,008</b>

### 4. REVENUE

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Disaggregated by major products		
Pearlescent pigments	306,115	243,223
Synthetic mica	912	1,785
<b>Total</b>	<b>307,027</b>	<b>245,008</b>

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 2021

### 5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current tax - PRC		
Provision for the period	12,141	10,539
Under-provision in prior period	21	218
	<b>12,162</b>	10,757

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

PRC Enterprise Income Tax has been provided at a rate of 25% for the period (six months ended 30 June 2020: 25%).

France Corporation Tax is calculated at the applicable rate of 33.33% in accordance with the relevant law and regulations in France for the period (six months ended 30 June 2020: 33.33%).

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

Those subsidiaries incorporated in Hong Kong and France have had no assessable profit subject to Hong Kong Profits Tax or France Corporation Tax during the period (six months ended 30 June 2020: Nil), respectively.

The income tax expense for the period represents the PRC Enterprise Income Tax which is calculated at the prevailing tax rate on the taxable income of the group entities in the PRC.

Guangxi Chesir Pearl Material Co., Ltd. (廣西七色珠光材料股份有限公司) ("**Chesir Pearl**") obtained the High and New Technology Enterprise Certificate to entitle to a preferential tax rate of 15% for the PRC Enterprise Income Tax during the period (six months ended 30 June 2020: 15%), subject to annual review by the relevant authority.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

### 6. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Depreciation on property plant and equipment	11,610	11,397
Depreciation on right-of-use assets	1,004	651
Research and development expenditures	17,966	10,722
Cost of inventories sold	143,084	123,466
(Reversals of impairment losses on trade and other receivables)/ Impairment losses for trade and other receivables	(3,435)	3,131
Listing expenses	8,608	3,947
Operating lease charge	477	446

### 7. DIVIDENDS

The Board of Directors has decided not to declare and pay any interim dividend for the period (six months ended 30 June 2020: Nil).

### 8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Earnings</b>		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	94,115	61,002
<b>Number of shares</b>		
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation	872,021,586	872,021,586

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for both periods has been adjusted for the effect of the Reorganisation and Capitalisation Issue as more fully explained in note 12(c) to the condensed consolidated financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

### 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment of approximately RMB83,425,000 (six months ended 30 June 2020: RMB14,910,000).

### 10. TRADE RECEIVABLES

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

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
0 to 90 days	166,096	168,476
91 to 180 days	15,669	23,161
181 to 365 days	605	290
Over 365 days	—	24
<b>Total</b>	<b>182,370</b>	191,951

### 11. TRADE PAYABLES

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

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
0 to 90 days	27,630	21,507
91 to 180 days	68	—
181 to 365 days	59	263
Over 365 days	191	121
<b>Total</b>	<b>27,948</b>	21,891

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

### 12. SHARE CAPITAL

	Number of shares in issue	Authorised US\$'000	Authorised HK\$'000	Issued and fully paid RMB'000
Share capital of the Company				
Ordinary shares of US\$1.0 each				
At 1 January 2020	50,000	50	—	330
– repurchase and cancellation of capital (note (a))	(50,000)	(50)	—	(330)
At 31 December 2020	—	—	—	—
Share capital of the Company				
Ordinary shares of HK\$0.1 each				
– issued and allotted of 3,900,000 shares (note (a))	3,900,000	—	—	330
– increase of authorised capital (note (a))	—	—	8,000,000	—
– share issue (note (b))	141,436,931	—	—	12,012
At 31 December 2020, 1 January 2021 and 30 June 2021	<b>145,336,931</b>	<b>—</b>	<b>8,000,000</b>	<b>12,342</b>

Notes:

- (a) Pursuant to the written resolutions approved by the then sole shareholder of the Company on 30 October 2020, (a) the authorised share capital of the Company was increased to HK\$8,000,000,000 by the creation of 80,000,000,000 ordinary shares of HK\$0.1 each; (b) the authorised share capital of the Company has been diminished by the cancellation of all unissued shares of par value of US\$1.0 each; and (c) the issued share capital has been increased to 3,900,000 ordinary shares of HK\$0.1 each allotted and issued to the then sole shareholder in consideration for the repurchase by the Company for cancellation from the then sole shareholder the 50,000 shares of par value of US\$1.0 each of the Company.
- (b) On 18 November 2020, the Company allotted and issued 122,007,252 new ordinary shares of the Company of HK\$0.1 each pursuant to a share swap implemented and accepted by all shareholders of Generous Fortune Limited ("Generous Fortune"), whereby one ordinary share of Generous Fortune was exchanged for one ordinary share of the Company, except for the 7,493,138 shares of Generous Fortune held by Ertian International Investment Limited ("Ertian International"), a company wholly owned by Mr. SU Ertian, which were exchanged for 3,593,138 ordinary shares of the Company allotted and issued to Ertian International and as a result, the 22 equity holders of Chesir Pearl who have agreed and completed the required procedures under the applicable PRC laws and regulations to transfer their equity interests in Chesir Pearl for the same number of shares of Generous Fortune have become the shareholders of the Company. On the same date, 19,429,679 new ordinary shares of the Company of HK\$0.1 each have been allotted and issued to the bond holder and a shareholder of Chesir Pearl.
- (c) Pursuant to the written resolutions approved by the shareholders of the Company on 2 June 2021 and the resolutions of the directors of the Company passed on 2 June 2021, subject to the conditions set forth therein (as referred to in the paragraphs under "A. Further information about our Group — 4. Written resolutions approved by our Shareholders on 2 June 2021" in Appendix V "Statutory and General Information" to the Prospectus), the directors of the Company are authorised to allot and issue a total of 726,684,655 ordinary shares of the Company (the "Capitalisation Issue") credited as fully paid at par to the shareholders of the Company whose names appear on the register of members of the Company as of the date of the passing of the relevant resolution approving the Capitalisation Issue, on a pro rata basis, by way of capitalisation of the sum of HK\$72,668,465.5 standing to the credit of the share premium account of the Company, and the ordinary shares of the Company to be allotted and issued pursuant to this resolution shall rank equally in all respects with the existing issued ordinary shares of the Company. The Capitalisation Issue were allotted and issued on 16 July 2021.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

### 13. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2021 (as at 31 December 2020: Nil).

### 14. CAPITAL COMMITMENTS

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Contracted but not provided for: Property, plant and equipment	<b>423,972</b>	568,332

### 15. EVENTS AFTER THE REPORTING PERIOD

On 16 July 2021, the Company has successfully listed on the Main Board of the Stock Exchange.

On 5 August 2021, the Company announced that the Over-allotment Option (as defined and described in the Prospectus) was partially exercised, pursuant to which 29,068,000 ordinary shares of the Company were issued at the same offer price of HK\$3.25 for each ordinary share of the Company, which were used to cover over-allocations in the International Offering (as defined and described in the Prospectus).

### 16. APPROVAL OF FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 August 2021.

## OTHER INFORMATION

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

As the Shares were listed on the Stock Exchange on 16 July 2021, the Company was not required to keep any register under Part XV of the Securities and Futures Ordinance (the "SFO") as of 30 June 2021.

Upon the date of this report, so far as the Directors are aware of, 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 or its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) to be recorded into the register kept by the Company pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the 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 Ertian ("Mr. SU")	Interest in controlled corporation <sup>(1)</sup>	298,546,800	25.05%
	Interest in controlled corporation <sup>(2)</sup>	44,958,828	3.78%
	Interest in controlled corporation <sup>(3)</sup>	27,041,172	2.27%
	Interest in controlled corporation <sup>(4)</sup>	1,368,000	0.11%
	Interest in controlled corporation <sup>(5)</sup>	27,307,200	2.29%
	Interest in controlled corporation <sup>(6)</sup>	26,988,948	2.26%
Mr. ZHENG Shizhan ("Mr. ZHENG")	Interest in controlled corporation <sup>(1)</sup>	298,546,800	25.05%
Mr. JIN Zengqin ("Mr. JIN")	Interest in controlled corporation <sup>(5)</sup>	27,307,200	2.29%
	Interest in controlled corporation <sup>(6)</sup>	26,988,948	2.26%
Mr. HU Yongxiang ("Mr. HU")	Interest in controlled corporation <sup>(7)</sup>	19,285,200	1.62%

## OTHER INFORMATION

*Notes:*

- (1) Guangxi Hongzun Investment Group Co., Ltd. ("**Hongzun Investment**") is owned as to 51.0% and 49.0% by Mr. SU and Mr. ZHENG, respectively. Therefore, Mr. SU and Mr. ZHENG is deemed to be interested in all the Shares held by Hongzun Investment for the purpose of the SFO. Mr. SU and Mr. ZHENG are also chairman and vice chairman of Hongzun Investment, respectively.
- (2) Ertian International Investment Limited ("**Ertian International**") is wholly-owned by Mr. SU. Therefore, Mr. SU is deemed to be interested in all the Shares held by Ertian International for the purpose of the SFO. Mr. SU is the sole director of Ertian International.
- (3) Seven Color Pearl Investment Limited ("**Seven Color Pearl Investment**") is wholly-owned by Mr. SU. Therefore, Mr. SU is deemed to be interested in all the Shares held by Seven Color Pearl Investment for the purpose of the SFO. Mr. SU is the sole director of Seven Color Pearl Investment.
- (4) The general partner of Liuzhou Lianrun Enterprise Management Partnership Enterprise (Limited Partnership) ("**Liuzhou Lianrun LP**") is Mr. SU who owns 11,000 shares of Liuzhou Lianrun LP. The original 24 individual equity holders of Chesir Pearl, who are limited partners and independent third parties, own 217,000 shares of Liuzhou Lianrun LP. Therefore, Mr. SU is deemed to be interested in all the Shares held by Liuzhou Lianrun LP for the purpose of the SFO. For the avoidance of doubt, there is no individual limited partner contributed more than one-third of the capital contribution of Liuzhou Lianrun LP.
- (5) The general partner of Liuzhou Qise Enterprise Management Partnership Enterprise (Limited Partnership) ("**Liuzhou Qise LP**") is Mr. SU who owns 10,000 shares of Liuzhou Qise LP. Mr. JIN, being one of the limited partners, owns 1,565,200 shares of Liuzhou Qise LP and the original 18 individual equity holders of Chesir Pearl, who are limited partners and independent third parties, own 2,976,000 shares of Liuzhou Qise LP. Therefore, Mr. SU and Mr. JIN are deemed to be interested in all the Shares held by Liuzhou Qise LP for the purpose of the SFO. For the avoidance of doubt, there is no individual limited partner (except Mr. JIN) contributed more than one-third of the capital contribution of Liuzhou Qise LP.
- (6) The general partner of Liuzhou Colorful Enterprise Management Partnership Enterprise (Limited Partnership) ("**Liuzhou Colorful LP**") is Mr. SU who owns 10,000 shares of Liuzhou Colorful LP. Mr. JIN, being one of the limited partners, owns 1,500,000 shares of Liuzhou Colorful LP and the original 18 individual equity holders of Chesir Pearl, who are limited partners and independent third parties, own 2,988,158 shares of Liuzhou Colorful LP. Therefore, Mr. SU and Mr. JIN are deemed to be interested in all the Shares held by 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 date of this report, to the knowledge of the Company, none of the Directors or the chief executives of the Company and any of their associates had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which was required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be recorded into the register kept by the Company pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## OTHER INFORMATION

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

As the Shares were listed on the Stock Exchange on 16 July 2021, the Company was not required to keep any register under Part XV of the SFO as of 30 June 2021.

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

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

## OTHER INFORMATION

Name of shareholders	Nature of interest and capacity	Number of Shares or underlying Shares held	Approximate percentage of shareholding
Yououbi Investment Management (Shanghai) Co., Ltd.	Interest in controlled corporation <sup>(3)</sup>	76,726,344	6.44%
Guangxi Luhai New Channel Equity Investment Management Co., Ltd.	Interest in controlled corporation <sup>(3)</sup>	76,726,344	6.44%
Guangxi Financial Investment Group Co., Ltd.	Interest in controlled corporation <sup>(3)</sup>	76,726,344	6.44%
China Development Bank	Interest in controlled corporation <sup>(3)</sup>	76,726,344	6.44%
Central Huijin Investment Ltd.	Interest in controlled corporation <sup>(3)</sup>	76,726,344	6.44%

*Notes:*

- (1) Hongzun International is wholly-owned by Hongzun Investment. Therefore, Hongzun Investment is deemed to be interested in all the Shares held by Hongzun International for the purpose of the SFO. Mr. SU is the sole director of Hongzun International.
- (2) Guidong Electric is a listed company on the Shanghai Stock Exchange (stock code: 600310) and is owned as to 39.96% by Guangxi Zhengrun Development Group Co., Ltd. (which in turn is owned by Guangxi Investment Group Co., Ltd. as to 85.0%) as of the date of this report. Therefore, Guangxi Zhengrun Development Group Co., Ltd and Guangxi Investment Group Co., Ltd are deemed to be interested in all the Shares held by Guidong Electric. Guangxi Investment Group Co., Ltd. is wholly-owned by the PRC Government.
- (3) GX Land & Sea is wholly-owned by Guangxi Land & Sea Connectivity Fund (Limited Partnership), which is a limited partnership established in the PRC. Guangxi Land & Sea Connectivity Fund (Limited Partnership) is owned as to 49.5% by Guangtou Capital Management Group Co., Ltd. and 49.5% by China Development Bank Capital Co., Ltd. and its general partner is Guangxi Luhai New Channel Equity Investment Management Center (Limited Partnership). Guangxi Luhai New Channel Equity Investment Management Center (Limited Partnership) is owned as to 39.6% by Yououbi Investment Management (Shanghai) Co., Ltd. and its general partner is Guangxi Luhai New Channel Equity Investment Management Co., Ltd., which in turn is owned as to 35.0% by China Development Bank Capital Co., Ltd. and 35.0% by Guangtou Capital Management Group Co., Ltd. Guangtou Capital Management Group Co., Ltd. is owned as to 51.0% by Guangxi Financial Investment Group Co., Ltd. and 49.0% by Guangxi Investment Group Co., Ltd. Guangxi Investment Group Co., Ltd is also the sole shareholder of Guangxi Financial Investment Group Co., Ltd, and is wholly-owned by the PRC government. China Development Bank Capital Co., Ltd. is wholly-owned by China Development Bank, which is owned as to 36.5% by the Ministry of Finance of the PRC and 34.7% by Central Huijin Investment Ltd. Central Huijin Investment Ltd. is wholly-owned by China Investment Co., Ltd., which in turn is wholly-owned by the PRC government. Therefore, Guangxi Land & Sea Connectivity Fund (Limited Partnership), Guangtou Capital Management Group Co., Ltd., China Development Bank Capital Co., Ltd., Guangxi Luhai New Channel Equity Investment Management Center (Limited Partnership), Yououbi Investment Management (Shanghai) Co., Ltd., Guangxi Luhai New Channel Equity Investment Management Co., Ltd., Guangxi Investment Group Co., Ltd., Guangxi Financial Investment Group Co., Ltd., China Development Bank, Central Huijin Investment Ltd. and China Investment Co., Ltd. are deemed to be interested in all the Shares held by GX Land & Sea.

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

## OTHER INFORMATION

### SHARE OPTION SCHEME

The post-IPO share option scheme of the Company (the "**Share Option Scheme**") was approved and conditionally adopted pursuant to the resolutions passed by the Shareholders on 2 June 2021 (the "**Adoption Date**") for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. The principal terms of the Share Option Scheme are set forth in "D. Post-IPO Share Option Scheme" in Appendix V to the Prospectus. Since the Adoption Date and up to the date of this report, no share options of the Company were granted, exercised, cancelled or lapsed under the Share Option Scheme.

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

1	Purpose	As incentive or rewards to eligible participants for their contribution or potential contribution to the Group.
2	Participants	<ul style="list-style-type: none"> <li>(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group (the "<b>Executive</b>"), any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group (the "<b>Employee</b>");</li> <li>(b) a director or proposed director (including an independent non-executive director) of any member of the Group;</li> <li>(c) a direct or indirect shareholder of any member of the Group;</li> <li>(d) a supplier of goods or services to any member of the Group;</li> <li>(e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;</li> <li>(f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and</li> <li>(g) an associate of any of the persons referred to in paragraphs (a) to (c) above.</li> </ul>
3	Total number of securities available for issue under the Share Option Scheme together with the percentage of the issued shares that it represents as at the date of this annual report	A maximum of 116,269,558 shares to be allotted and issued.
4	Maximum entitlement of each participant	1% of the Shares in issue from time to time.
5	Period within which the securities must be taken up under an option	28 days from the offer date, provided that no such grant of an option may be accepted after the expiry of the effective period of the Share Option Scheme.

## OTHER INFORMATION

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

### PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

As the Shares were not listed on the Stock Exchange as of 30 June 2021, neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any of the Company's listed securities during 1H2021.

### AUDIT COMMITTEE REVIEW

The Company established the audit committee (the "**Audit Committee**") pursuant to a resolution of Directors passed on 2 June 2021 in compliance with Rule 3.12 of the Listing Rules. The Audit Committee has set up the written terms of reference on 2 June 2021. The primary responsibilities of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advise in respect of financial reporting at least at half-year intervals, and oversee the risk management policies and internal control procedures of the Group constantly. The Audit Committee consists of three independent non-executive Directors, namely Mr. MAK Hing Keung, Thomas, Professor HAN Gaorong and Mr. LEUNG Kwai Wah Alex. Mr. MAK Hing Keung, Thomas currently serves as the chairman of the Audit Committee. The terms of reference of the Audit Committee are in line with the applicable code provisions in the Corporate Governance Code (the "**Corporate Governance Code**") as set forth in Appendix 14 to the Listing Rules.

The Audit Committee 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 interim condensed consolidated financial statements for 1H2021 and this report. The unaudited interim condensed consolidated financial statements for 1H2021 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

### CORPORATE GOVERNANCE

As the Shares were not listed on the Stock Exchange as of 30 June 2021, the Corporate Governance Code was not applicable to the Company during 1H2021.

The Group is committed to maintaining a 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 set forth in the Corporate Governance Code and the Company has adopted the Corporate Governance Code as its own code of corporate governance. The Corporate Governance Code has been applicable to the Company with effect from the Listing Date.

Pursuant to code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. SU, the chairman of the Board and the chief executive officer of the Company, currently performs these two roles. Mr. SU has been responsible for formulating overall business development strategies and leading overall operations of the Group and has been instrumental to business growth of the Group. The Board therefore considers that vesting the roles of both chairman and chief executive officer in Mr. SU is beneficial to business development of the Group by ensuring consistent leadership and enabling more effective and efficient overall strategic planning. The senior management team and the Board will provide check-and-balance of power and authority.

The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole. 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 Corporate Governance Code since the Listing Date and up to the date of this report. The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the Corporate Governance Code.

### COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

As the Shares of the Company were not listed on the Stock Exchange during 1H2021, the provisions under the Listing Rules in relation to the compliance with the Model Code as set forth in Appendix 10 to the Listing Rules by the Directors were not applicable to the Company during 1H2021.

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, they have confirmed their compliance with the required standard as set forth in the Model Code since the Listing Date and up to the date of this report.

### INTERESTS OF THE COMPLIANCE ADVISER

As notified by Essence Corporate Finance (Hong Kong) Limited ("**Essence**"), the Company's compliance adviser, save for the compliance adviser agreement entered into between the Company and Essence dated 28 June 2021 in connection with the Listing, none of Essence or its directors, employees or close associates (as defined in the Listing Rules) had any interest in the Group as of 30 June 2021, which is required to be notified to the Company pursuant to Rule 3A.19 of the Listing Rules.