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GLOBAL NEW MATERIAL INTERNATIONAL HOLDINGS LIMITED

环球新材国际控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 06616)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The Company has completed the Global Offering. The Shares have been listed on the Stock Exchange since 16 July 2021. The Board is pleased to present the first annual results of the Group for the FY2021 as follows:

- Revenue amounted to RMB669.7 million, representing an increase of 17.7%, as compared to RMB569.1 million in the FY2020.
- Gross profit amounted to RMB334.6 million, representing an increase of 17.8%, as compared to RMB284.1 million in the FY2020; and the gross profit margin increased to 50.0%, as compared to 49.9% in the FY2020.
- Profit for the year amounted to RMB169.1 million, representing an increase of 10.6%, as compared to RMB152.9 million in the FY2020; but the net profit margin experienced a slight decrease of 1.6 percentage point to 25.3%, as compared to 26.9% in the FY2020.

The Directors propose a final cash dividend of 3.5 HK cents per Share for the FY2021 (FY2020: Nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Global New Material International Holdings Limited (the “**Company**” together with its subsidiaries, the “**Group**”) is pleased to announce the annual results of the Group for the year ended 31 December 2021 (the “**FY2021**”).

On 30 June 2021, the Company issued its prospectus (the “**Prospectus**”) for the global offering (the “**Global Offering**”) and the listing (the “**Listing**”) of its shares (the “**Shares**” and each the “**Share**”) 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 following sets forth the audited consolidated results of the Company for the FY2021 and the comparative figures for the year ended 31 December 2020 (the “**FY2020**”):

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Note	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	4	669,727	569,113
Cost of goods sold		(329,661)	(280,046)
Sales related tax and auxiliary charges		(5,443)	(5,002)
Gross profit		334,623	284,065
Other income and other gains and losses		7,221	14,778
Impairment losses for trade and other receivables		(2,743)	(4,118)
Selling expenses		(34,440)	(24,607)
Administrative and other operating expenses		(102,116)	(72,898)
Profit from operations		202,545	197,220
Finance costs		(11,438)	(19,399)
Profit before tax		191,107	177,821
Income tax expense	6	(21,991)	(24,960)
Profit for the year	7	169,116	152,861
Attributable to:			
Owners of the Company		162,026	148,172
Non-controlling interests		7,090	4,689
		169,116	152,861
Earnings per share	9		
– Basic (RMB)		0.16	0.18
– Diluted (RMB)		0.16	0.18

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	169,116	152,861
Other comprehensive income:		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(31)	2
Other comprehensive income for the year, net of tax	(31)	2
Total comprehensive income for the year	169,085	152,863
Attributable to:		
Owners of the Company	161,995	148,174
Non-controlling interests	7,090	4,689
	169,085	152,863

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2021

	Note	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		571,196	486,170
Right-of-use assets		66,237	68,247
Deposits paid for acquisition of property, plant and equipment		184	184
Deferred tax assets		1,190	1,190
Total non-current assets		638,807	555,791
Current assets			
Inventories		101,815	75,371
Trade receivables	10	237,979	191,951
Deposits, prepayment and other receivables		20,309	23,609
Restricted bank balances		40,000	—
Bank and cash balances		1,565,463	747,582
Total current assets		1,965,566	1,038,513
TOTAL ASSETS		2,604,373	1,594,304

	Note	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		99,319	12,342
Reserves		2,070,170	1,168,897
		<u>2,169,489</u>	<u>1,181,239</u>
Non-controlling interests		173,164	166,074
		<u>2,342,653</u>	<u>1,347,313</u>
LIABILITIES			
Non-current liabilities			
Borrowings		—	75,366
Lease liabilities		1,401	2,044
Deferred revenue		3,903	5,351
Deferred tax liabilities		1,369	—
Total non-current liabilities		<u>6,673</u>	<u>82,761</u>
Current liabilities			
Borrowings		157,889	90,273
Lease liabilities		629	577
Trade payables	11	37,563	21,891
Accruals and other payables		56,520	42,056
Contract liabilities		13	446
Deferred revenue		1,448	2,136
Current tax liabilities		985	6,851
Total current liabilities		<u>255,047</u>	<u>164,230</u>
TOTAL EQUITY AND LIABILITIES		<u><u>2,604,373</u></u>	<u><u>1,594,304</u></u>

NOTES

1. General information

Global New Material International Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Pearlescent Industrial Park, No. 380, Feilu Road, Luzhai Town, Luzhai County, Liuzhou City, Guangxi Zhuang Autonomous Region, People’s Republic of China (the “**PRC**”). The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company is an investment holding company. The principal activities of its subsidiaries are manufacturing and sales of pearlescent pigment products and synthetic mica powder.

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”). IFRSs comprise International Financial Reporting Standards (“**IFRS**”); International Accounting Standards (“**IAS**”); and Interpretations. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange and with the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Company and its subsidiaries (collectively the “**Group**”). Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the consolidated financial statements.

3. Adoption of new and revised International Financial Reporting Standards

(a) Application of new and revised IFRSs

The Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phrase 2
Amendments to IFRS 16	COVID-19 Related Rent Concession

Except as described below, the application of the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest Rate Benchmark Reform – Phrase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“**IBOR reform**”).

The amendments do not have an impact on the financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Amendment to HKFRS 16, COVID-19 Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“**COVID-19 Related Rent Concessions**”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has applied the practical expedient to all qualifying COVID-19 Related Rent Concessions granted to the Group during the FY2021. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2021.

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

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 16 COVID-19 Related Rent Concession Beyond 30 June 2021	1 April 2021
Amendments to IFRS 3 Business Combination- Reference to Conceptual Framework	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment-Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022
Amendments to IAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 Income Taxes - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. Revenue

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products for the FY2021 and the FY2020 is as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products		
Pearlescent pigment products	667,707	565,788
Synthetic mica powder	2,020	3,325
Total	<u>669,727</u>	<u>569,113</u>

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

5. Segment information

The Group has carried on a single business in a single geographical location, which is manufacturing and sales of pearlescent pigment products and synthetic mica powder in the PRC, and all the assets are substantially located in the PRC. Accordingly, there is only one single business reportable segment which is regularly reviewed by the chief operating decision maker.

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

Geographical information:

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
The PRC	641,657	539,172
Others	28,070	29,941
Total	669,727	569,113

Revenue from major customers:

There was no customer that had contributed over 10% of the Group's revenue during the FY2021 and the FY2020.

6. Income tax expense

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax – PRC:		
Provision for the year	20,599	24,742
Under provision in prior year	23	218
	<u>20,622</u>	<u>24,960</u>
Deferred tax	1,369	—
Total	21,991	24,960

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

PRC Enterprise Income Tax has been provided at a rate of 25% for the FY2021 (FY2020: 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 FY2021 (FY2020: 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 FY2021 and the FY2020, respectively.

The income tax expense for the FY2021 and the FY2020 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. (“**Chesir Pearl**”) obtained the high and new technology enterprise certificate to entitle to a preferential tax rate of 15% (FY2020: 15%) during the FY2021, subject to annual review by the relevant authority.

7. Profit for the year

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

	2021	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Auditor’s remuneration	1,500	—
Depreciation on property, plant and equipment	25,560	22,867
Depreciation on right-of-use assets	1,996	1,557
Research and development expenditures	48,458	29,284
Cost of inventories sold	329,661	280,046
Impairment losses for trade and other receivables	2,743	4,118
Listing expenses	8,996	13,206
Operating lease charge	<u>1,502</u>	<u>965</u>

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

	2021	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Staff costs	37,542	26,708
Depreciation	<u>14,413</u>	<u>13,419</u>

8. Dividends

The Directors propose a final cash dividend of 3.5 HK cents per share for the FY2021 (FY2020: Nil).

9. Earnings per share

(a) Basic earnings per share

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the purpose of calculating basic earnings per share	<u>162,026</u>	<u>148,172</u>
	2021	2020
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,019,270</u>	<u>872,022</u>

(b) Diluted earnings per share

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary shares during the FY2021 and the FY2020.

10. Trade receivables

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	245,660	196,889
Allowances for doubtful debts	(7,681)	(4,938)
Total	<u>237,979</u>	<u>191,951</u>

The Group generally allows a credit period from 90 to 180 days for its customers. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors of the Company.

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	190,817	168,476
91 to 180 days	47,160	23,161
181 to 365 days	—	290
Over 365 days	2	24
Total	<u>237,979</u>	<u>191,951</u>

11. Trade payables

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	36,695	21,507
91 to 180 days	226	—
181 to 365 days	374	263
Over 365 days	268	121
Total	<u>37,563</u>	<u>21,891</u>

GLOBAL OFFERING AND LISTING

The Shares have been listed on the Stock Exchange since 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 the Net Proceeds from the Global Offering” in this announcement.

BUSINESS REVIEW

The Group is the largest pearlescent pigment producer in the PRC market as measured by revenue in 2021 with a market share of 11.0%, according to a study conducted by Frost & Sullivan and commissioned by the Group. In the global market, in 2021, the Group is ranked first in the synthetic mica-based pearlescent pigment market and fourth in the pearlescent pigment market by revenue. During the FY2021, the Group’s pearlescent pigment products were sold to customers in the PRC and more than 30 other countries and territories in Asia, Europe, Africa and South America.

The global pearlescent pigment product market experienced a significant growth to RMB21.6 billion in the 2021. Frost & Sullivan expects that the market size would continue to increase to RMB37.6 billion in 2025. The PRC continues to be the principal market, and its market share increased from 21.9% in 2016 to 27.0% in 2021 and is expected to reach 31.2% in 2025.

Pearlescent pigment products are generally used as colourants in a wide range of industrial and non-industrial applications. The principal products of the Group include natural mica-based and synthetic mica-based pearlescent pigment products. The natural mica-based pearlescent pigment products are the principal products in the industry. The synthetic mica-based pearlescent pigment market is in a state of rapid development. The market share of synthetic mica-based pearlescent pigment products increased from 5.3% in 2016 to 12.7% in 2021 and is expected to increase to 18.9% in 2025. The use of pearlescent pigment products for coating, plastics, automotive and cosmetics applications are expected to experience significant growth in the near future.

The PRC pearlescent pigment market has grown its market size and proportion at the global market. In 2021, the market reaches RMB5,826.9 million by increasing at a CAGR (compound annual growth rate) of 23.2% from 2016 to 2021, among which the natural mica-based, synthetic mica-based, aluminium oxide-based and silicon oxide-based pearlescent pigment markets took up a market share of 72.0%, 17.6%, 2.8% and 0.9%, respectively. Similar to the global markets, the aggregate market share of coating, plastics, automotive and cosmetics applications represent in aggregate of a significant percentage of the total use of pearlescent pigment products.

During the FY2021, the principal products of the Group include natural mica-based and synthetic mica-based pearlescent pigment products. The Group produced and sold a comprehensive portfolio of pearlescent pigment products covering diverse applications and industries, including automotive coatings, cosmetics, industrial coatings, plastics, printing, textile and leather and ceramics. The Group also produced and sold synthetic mica powder products 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.

During the FY2021 and shortly after the Listing Date, the Company was honourably awarded as the “2021 Golden Unicorn HK & US Initial Public Offerings of the Year (2021金麒麟港美股年度最佳新股)” by Sina Finance. The Company was also named as one of the “Most Popular Initial Public Offerings for Investors (最受投資者歡迎新股公司)” by the Sixth Golden Hong Kong Stock Award. In addition, Mr. SU Ertian, the Chairman and the Chief Executive Officer of the Group, has been awarded the “Best Corporate Leader Award (最佳企業領袖獎)” by the Listed Companies Committee of the Hong Kong Chinese Enterprises Association and the Hong Kong Chinese Securities Association in recognition of his achievements and contributions to the business development of the Group. Throughout the FY2021, in addition to completion of the Global Offering and the Listing, the Group has achieved the following milestones:

Enhanced product portfolio

The pearlescent pigment products of the Group can be broadly divided into (a) natural mica-based pearlescent pigment products; (b) synthetic mica-based pearlescent pigment products; (c) glass flake-based pearlescent pigment products; and (d) silicon oxide-based pearlescent pigment products. The Group’s pearlescent pigment products are used as colourant in diverse

applications and industries, including industrial coatings, plastics, textiles and leather, cosmetics and automotive coatings. As of 31 December 2021, the Group offered four principal categories of pearlescent pigment products under different product series with different colours, particle sizes and lustre level as follows:

- (a) 498 natural mica-based pearlescent pigment products under 17 series of different colours, texture and glossiness;
- (b) 311 synthetic mica-based pearlescent pigment products under 14 series of different colours, texture and glossiness;
- (c) 36 glass flake-based pearlescent pigment products under two series which has different transparency, refractive index and flake structure; and
- (d) 18 silicon oxide-based pearlescent pigment products under one series.

The Group also produced synthetic mica powder of different granule sizes. The synthetic mica powder is used by the Group for the production of synthetic mica-based pearlescent pigment products. The Group's synthetic mica powder can also be used as raw materials for the production of functional fillers, insulating materials, refractory materials and nickel-hydrogen batteries. During the FY2021, the Group only sold a small portion of synthetic mica powder to its customers.

During the FY2021, the pearlescent pigment products of the Group continued to be used in a wide range of downstream applications, ranging from industrial coatings to plastics, textiles and leather, cosmetics, ceramics and more importantly to automotive coatings. Analyses on the revenue generated by different types of the Group's pearlescent pigment products, are set forth in the paragraphs under "Financial Review" below. As a result, during the FY2021, the revenue of the Group amounted to RMB669.7 million, representing an increase of 17.7% as compared to RMB569.1 million during the FY2020. The amount of the gross profit in FY2021 was RMB334.6 million, as compared to RMB284.1 million during the FY2020. These demonstrate that the Group's business continued to grow during the FY2021 following completion of the Global Offering and the Listing.

Dedicated research and development capability

During the FY2021, the Group continued to invest and focus on the dedicated research and development capability for two principal objectives, namely increasing the product portfolio and improving the production efficiency. During the FY2021, a total of 35 natural mica-based pearlescent pigment products, 58 synthetic mica-based pearlescent pigment products, six glass flake-based pearlescent pigment products and 13 silicon oxide-based pearlescent pigment products has been launched by the Group, and these products are of characteristics for different applications.

In addition, the Group has obtained 33 patents in the PRC and has submitted six applications for patent and 14 applications for trademark registration in the PRC. As of 31 December 2021, the Group had a total of 33 patented technologies, four software copyrights and 13 registered trademarks and was accredited as a “National Intellectual Property Superior Enterprise (國家知識財產權優勢企業)” by China National Intellectual Property Administration. A wholly-owned subsidiary of the Company, Guangxi Chesir Pearl Material Co., Ltd. (“**Chesir Pearl**”), was awarded the gold and silver award in the Guangxi Invention Creation Exhibition and Trade Fair Project (廣西發明創造成果展覽交易會項目) because of its invention of the self-developed synthetic mica production method, such as: a wet synthesis method for preparing $\text{KMg}_3(\text{AlSi}_3\text{O}_{10})\text{F}_2$ crystal powder, conductive sericite powder and three dimensional magnetic pearlescent pigments. The award reflects the strong research and development capability of the Group and its commitment to the protection of the core values.

The Group has successfully launched the 2021 Winter New Product Launch, under which 12 Chinese style series of pearlescent pigment products were launched primarily for the cosmetics applications. These products sparked heated discussions in the industry. Through technological innovation, colours travel through vast space are reflected authentically on a tiny pearl. These reflect the Group’s capability through technological innovation and its continuous efforts in upgrading its research and development.

To further strengthen the Group’s research and development efforts, the Chesir Pearlescent New Material Research and Development Centre of the University of Zhejiang (浙江大學七色珠光新材料聯合研發中心) commenced operation on 26 September 2021 following the successful launch of the Chesir Pearlescent New Material Research and Development Centre (七色珠光新材料聯合研發中心) with the Hubei University of Technology for the research and development of new products and new applications, improvement of new production technology and upgrading the production plant and machinery. The new research and development centre aims to build an international research and development platform for new materials and intelligent manufacturing of pearlescent pigment products, thus adding a new edge to the Group’s future scientific and technological innovation.

Capture new opportunities with increasing production capability

The Phase 1 Production Plant¹ of the Group is in smooth operation. In addition, the Group continues to leverage on the construction of new production facilities as the driving force to enhance the competitiveness of the Group. Further information on the use of the net proceeds from the Global Offering is set forth in the paragraphs under “Use of the Net Proceeds from the Global Offering” below. The construction of the Phase 2 Production Plant² and the Luzhai Synthetic Mica Plant³ are in progress. As of the date of this announcement, the first stage of the Phase 2 Production Plant is undergoing the equipment installation and is in testing and capacity ramp up stage. The trial production is expected to commence during the second quarter of 2022. In addition, the civil construction of the Luzhai Synthetic Mica Plant is in progress. The Directors expect that the construction works would be complemented and the trial production could be commenced in 2022. The operation of the Phase 1 Production Plant has undergone different levels of technological improvements and innovations as well as programmes on energy savings, emission controls and other production efficiency enhancement strategies.

Expansion of the customer base

The pearlescent pigment producers like the Group are the major participants in the industry. Downstream customers in the pearlescent pigment industry mainly include direct customers, such as cosmetics manufacturers, automotive paint manufacturers, etc., and pearlescent pigment trading companies. Pearlescent pigment trading companies are more inclined to cooperate with larger pearlescent pigment manufacturers due to its capacity to offer a wide range of products at competitive prices. The Group has constantly maintained a strong bargaining power and enjoyed a dominant position in the value chain of the pearlescent pigment industry due to its strong production capacity. The technological innovations of the Group’s pearlescent pigment products are tailor-made for different downstream applications and this creates momentum to drive the improvements of the quality (and the variety) of the Group’s pearlescent pigment products.

¹ The production plant currently used by us for the research and development and production of the pearlescent pigment products and synthetic mica powder is located in Liuzhou City, Guangxi Zhuang Autonomous Region, the PRC with a total site area of 99,688.2 square meters (“sq.m.”) and an aggregate gross floor area of 56,445.6 sq.m. with designed annual production capacity of 13,740 tonnes of pearlescent pigment products and designed annual production capacity of 9,504 tonnes of synthetic mica powder.

² The production plant planned to be constructed with an estimated total site area of 148,713.7 sq.m. for the production of the Group’s pearlescent pigment products with an estimated designed annual production capacity of 30,000 tonnes.

³ The production plant planned to be constructed with an estimated site area of 42,467.2 sq.m. for the production of synthetic mica flakes with an estimated designed annual production capacity of 30,000 tonnes.

Expansion of the sales and distribution network

The Group has 259 trading company customers in the PRC and other countries which form a broad sales and marketing network for the products of the Group in the PRC and covering all major countries and territories in the world. In addition to the trading companies, the Group also has a strong base of 172 end user customers in the PRC and other countries. The large-scale sales and distribution system enables the Group's products to be sold to globally renowned cosmetics companies, automotive coating companies, printing companies and plastic companies. Through years of cooperation with customers, the Group has built a stable long-term relationship as well as a strong foundation of confidence and trust with the customers. In addition, the Group's sales and marketing team continues to carry out brand building activities and campaigns through a combination of online and offline efforts for the purpose of promoting "Chesir Pearl" as an internationally renowned brand of quality pearlescent pigment products. The stable consumer platform and sales and the marketing network benefit the Group's business development and strengthen its market share in the pearlescent pigment industry.

Resilience against the economic downturn and enhance the overall competitiveness

Since the early of 2020, the COVID-19 pandemic has materially and adversely affected the global economy as well as the economy in the PRC. Since the Group's pearlescent pigment products are generally used as colourant in different downstream applications such as automotive, cosmetics and industrial coatings, the business of the Group has not been particularly affected by the COVID-19 pandemic and is less sensitive to the economic downturn. Due to the excellent chemical stability of pearlescent pigments and the ability to be evenly distributed in water and glycerine, the demand for pearlescent pigments are rapidly recovering and growing with the gradual resumption of work and production.

FINANCIAL REVIEW

The following sets forth the management's discussion and analysis of the performance of the Group during the FY2021. Comparisons have also been made to the performance of the Group during the FY2020, in which the Company had yet to be listed on the Stock Exchange. Please refer to note 2 to the consolidated financial statements on the bases upon which the results of the Group are prepared for the FY2021 and the FY2020.

Revenue

The Group is principally engaged in the business of the production and sales of pearlescent pigment products. The assets of the Group are substantially located in the PRC, and the Group operates one single reportable business segment, which is a strategic business unit centrally managed with the required technology and marketing strategies, and offers to its customers, a range of pearlescent pigment products, namely (a) natural mica-based pearlescent pigment products; (b) synthetic mica-based pearlescent pigment products; (c) glass flake-based pearlescent pigment products; and (d) silicon oxide-based pearlescent pigment products.

The revenue of the Group is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties.

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

	Year ended 31 December			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Pearlescent pigment products				
– Natural mica-based.....	347,936	51.9	318,957	56.0
– Synthetic mica-based.....	271,766	40.6	197,141	34.6
– Glass flake-based.....	44,987	6.7	46,821	8.2
– Silicon oxide-based	3,018	0.5	2,869	0.5
	667,707	99.7	565,788	99.3
Synthetic mica powder⁽¹⁾	2,020	0.3	3,325	0.7
Total	669,727	100.0	569,113	100.0

Note:

- (1) The Group produces synthetic mica powder of different granule sizes, which can be used by the Group for the production of synthetic mica-based pearlescent pigment products. The synthetic mica powder can also be sold to the customers of the Group, in most cases upon the customers' requests, as their raw materials for the production of functional fillers, insulating materials, refractory materials and nickel-hydrogen batteries.

The customers of the Group may be broadly divided into trading company customers and end user customers. The former will re-sell the products to their own customers with whom the Group does not have direct contractual relationship. End user customers are customers using the products of the Group for their own use and production purpose.

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

	Year ended 31 December			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Trading company customers				
– Pearlescent pigment products.	551,408	82.3	463,367	81.4
– Synthetic mica powder	244	—*	116	—*
	551,652	82.3	463,483	81.4
End user customers				
– Pearlescent pigment products.	116,299	17.4	102,421	18.0
– Synthetic mica powder	1,776	0.3	3,209	0.6
	118,075	17.7	105,630	18.6
Total	669,727	100.0	569,113	100.0

* Value insignificant

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

	Year ended 31 December			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
PRC	641,657	95.8	539,172	94.8
Asia ⁽¹⁾	10,446	1.6	13,286	2.3
Europe ⁽²⁾	8,914	1.3	11,174	2.0
Africa ⁽³⁾	8,403	1.3	5,276	0.9
South America ⁽⁴⁾	307	—*	205	—*
Total	669,727	100.0	569,113	100.0

* Value insignificant

Notes:

- (1) Countries and territories in Asia include Pakistan, Hong Kong, Macau and Taiwan, Korea, Bangladesh, Japan, Saudi Arabia, Thailand, Turkey, Israel, India, Indonesia, Jordan and Vietnam.

- (2) European countries include Estonia, Belgium, Poland, Germany, Russia, Ukraine, Finland, Netherlands, Serbia, Switzerland, Spain, Italy and United Kingdom.
- (3) Countries in Africa include Algeria, Morocco, Tunisia and Egypt.
- (4) Countries in South America include Brazil and Chile.

Sales of pearlescent pigment products

The revenue generated from sales of pearlescent pigment products increased to RMB667.7 million in the FY2021 from RMB565.8 million in the FY2020, representing an increase of RMB101.9 million or 18.0%. Sales of natural mica-based pearlescent pigment products increased by RMB29.0 million, or 9.1%, as compared to the same period in the FY2020. The Group expanded its product offering of natural mica-based pearlescent pigment products from 463 in the FY2020 to 498 in the FY2021. Sales of synthetic mica-based pearlescent pigment products increased by RMB74.6 million, or 37.9%, as compared to the same period in the FY2020. The Group expanded its product offering of synthetic mica-based pearlescent pigment products from 253 in the FY2020 to 311 in the FY2021. Sales of glass flake-based pearlescent pigment products decreased by RMB1.8 million, or 3.9%, as compared to the same period in the FY2020. The Group also sold silicon oxide-based pearlescent pigment products and contributed revenue of RMB3.0 million in the FY2021.

Sales of synthetic mica powder

The sales of synthetic mica powder decreased to RMB2.0 million in the FY2021 from RMB3.3 million in the FY2020. The decrease was due to the increasing demand for the synthetic mica-based pearlescent pigment products and the Group using 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) for its own production of synthetic mica-based pearlescent pigment products.

Cost of goods sold

The cost of goods sold increased by 17.7% from RMB280.0 million in the FY2020 to RMB329.7 million in the FY2021. The increase in cost of goods sold was mainly due to the increase in the sales volume of pearlescent pigment products by 17.5% from 14,243 tonnes in the FY2020 to 16,730 tonnes in the FY2021.

Gross profit and gross profit margin

The gross profit increased to RMB334.6 million in the FY2021 from RMB284.1 million in the FY2020, representing an increase of 17.8%. The increase in the amount of the gross profit was primarily due to the increase in the amount of revenue. The gross profit margin in the FY2021 was 50.0%, as compared to 49.9% in the FY2020. There was no significant difference in the gross profit margin in the FY2020 and the FY2021.

Other income and other gains and losses

The amount of other income and other gains and losses in the FY2021 was RMB7.2 million, as compared to RMB14.8 million in the FY2020. The decrease was primarily due to the decrease in the PRC Government grants received by the Group for the research and development activities/projects undertaken by the Group by RMB8.5 million and the fair value loss of RMB2.0 million on the derivative component of the convertible bonds in the principal amount of RMB72,240,000 issued by Chesir Pearl to two bondholders on 31 May 2019 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.

Impairment losses for trade and other receivables

The amount of the impairment losses under the expected credit loss model in the FY2021 was RMB2.7 million, as compared to provision of impairment losses of RMB4.1 million in the FY2020.

Selling expenses

The selling expenses increased to RMB34.4 million in the FY2021 from RMB24.6 million in the FY2020, representing an increase of 40.0%. The increase in the amount of selling expenses was mainly due to the increases in (a) transportation expenses for delivery of the Group’s products of RMB2.2 million and (b) marketing expenses of RMB5.1 million to promote the Group’s pearlescent pigment products.

Administrative and other operating expenses

The administrative and other expenses increased to RMB102.1 million in the FY2021 from RMB72.9 million in the FY2020, representing an increase of 40.1%. The increase was primarily due to (a) the amount of the Listing expenses incurred and charged to profit or loss of RMB9.0 million in the FY2021, as compared to RMB13.2 million charged to profit or loss in the FY2020, as well as (b) the additional professional fees of RMB5.3 million and charitable donations of RMB2.9 million. In addition, the expenses incurred on research and development activities were charged to profit or loss. During the FY2021, the Group incurred RMB48.4 million for its research and development activities, as compared to RMB29.3 million in the FY2020.

Finance costs

The finance costs decreased to RMB11.4 million in the FY2021 from RMB19.4 million in the FY2020, representing a decrease of 41.1%. 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 RMB17.1 million in the FY2021 and (b) the conversion of the 2019 Convertible Bonds on 19 October 2020.

Income tax expense

The income tax expense decreased to RMB22.0 million in the FY2021 from RMB25.0 million in the FY2020. The decrease was primarily due to the increase in the percentage of the deductible expenses incurred on research and development activities, which reduced the amount of the profit subject to the PRC income tax of the PRC subsidiaries of the Company in the FY2021.

Profit for the year

As a result of the foregoing, the profit for the year amounted to RMB169.1 million in the FY2021, representing an increase of 10.6%, as compared with RMB152.9 million in the FY2020. Net profit margin slightly decreased to 25.3% in the FY2021, as compared to 26.9% in the FY2020.

BUSINESS OUTLOOK

The Directors believe that the global economy in 2022 would continue to be affected by the COVID-19 (and in particular, the Omicron variant) pandemic. As of the date of this announcement, the number of confirmed infection cases of COVID-19 in the PRC is increasing and several PRC cities have started implementing mass testing to prevent the continuous spread of COVID-19. The business development of the Group has not been affected, and the Group will continue to review and enhance its production facilities and capacities in order to provide a reliable, adequate and stable supply of pearlescent pigment products with the following strategies:

Steady growth in pearlescent pigment industry

The Directors expect that the penetration rate of pearlescent pigment products in various industries will increase. According to a study conducted by Frost & Sullivan and commissioned by the Group, by the end of 2025, the global automotive pearlescent pigment market will reach RMB4.5 billion at a compound annual growth rate of 47.1% and the global cosmetic pearlescent pigment market will reach RMB8.7 billion at a compound annual growth rate of 32.8%. The Directors are optimistic on the long-term prospects of the industry and more importantly, the prospects of using the environmental-friendly production technology and initiatives in the pearlescent pigment industry.

Promotion of new pearlescent pigment products

The Group will continue to use its extensive sales and marketing network for the promotion of the 12 newly released Chinese style pearlescent pigment products and other pearlescent pigment products to capture new domestic and international opportunities. Following the success of the 2021 Winter New Product Launch, a similar product launching campaign will be held on a regular basis to showcase the Group's continuous pursuit of creative technological innovation. In addition, the Group aims to enhance its reputation in the fashion industry and is gradually switching the operation of its marketing team to Shanghai by establishing a marketing centre in the city.

Full use of research and development capability

The research and development capability of the Group will benefit the Group by developing synthetic mica related energy material products that could be launched by the Group ahead of its competitors. The Directors expect that new products launched by the Group would generate a new source of sales revenue of the Group in 2022.

Completion of the first stage of the Phase 2 Production Plant and the Luzhai Synthetic Mica Plant

To further enhance the Group's production capacity, the Group will continue to complete the Phase 2 Production Plant and the Luzhai Synthetic Mica Plant as scheduled. The first stage of the Phase 2 Production Plant will increase the total production capacity of the Group by 6,000 tonnes of pearlescent pigment products in 2022. In addition, the first stage of the Luzhai Synthetic Mica Plant also provides the Group with 6,000 tonnes of synthetic mica flakes that could increase the production capacity of synthetic mica powder for the Group's production purpose and sales to the customers of the Group.

Capture of new business opportunities

The Group will leverage on the capital market platform to accelerate the business expansion by engaging in merger and acquisition activities as and when appropriate. As of the date of this announcement, the Group has not identified any suitable opportunity. The Group will constantly adhere to the core values and corporate mission to "*Create Beautiful Colours for the World through Dedication of Premium Quality Products*" and utilise the capabilities in the industry to achieve a stable business growth in the future.

USE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING

The Shares have been listed since the Listing Date. The Over-allotment Option (as defined and described in the Prospectus) was partially exercised on 5 August 2021. The total number of new Shares issued by the Company under 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.

The table below sets forth the intended use of the net proceeds from the Global Offering and Over-allotment Option and actual usage for the FY2021:

<u>Prescribed usage</u>	Allocation of the net proceeds from the Global Offering and the Over- allotment Option	Percentage to the total net proceeds	Amount utilised up to 31 December 2021	Remaining balance as of 31 December 2021	Expected timeline for the intended use
	<i>HK\$' million</i>	<i>%</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	
Construction of the Phase 2 .. Production Plant	539.5	55.6	— ^(Note)	539.5	By the first quarter of 2025
Construction of the Luzhai.... Synthetic Mica Plant	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	3.7	65.2	By end of 2022
Sales and marketing activities and building sales network	31.0	3.2	2.5	28.5	By end of 2023
Total	<u>970.2</u>	<u>100.0</u>	<u>6.2</u>	<u>964.0</u>	

Note:

The net proceeds from the Global Offering that would be used for the construction of the Phase 2 Production Plant amounted to HK\$539.5 million. From the Listing Date to 31 December 2021, however, the Group did not use any of such amount for the purpose primarily due to the electricity shortage in fourth quarter of 2021. The Group used the electricity supplied primarily for its production purpose. The Board confirms that the proposed use of the net proceeds from the Global Offering remains unchanged and that the unutilised portion of such amount in 2021 would be used during the first half of 2022 for the same purpose. There are no other changes in the completion time and the use of the net proceeds for the construction of the Phase 2 Production Plant as originally planned.

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

FINAL DIVIDEND AND DIVIDEND POLICY

The Company has not adopted any fixed dividend pay-out ratio. Dividends may be paid out by way of cash or by such other means as the Directors consider appropriate. Declaration and payment of any dividends would require the recommendation of the Directors and will be at their discretion. In addition, any final dividend for a financial year will be subject to the approval of the shareholders (the “**Shareholders**”) of the Company. A decision to declare or pay any dividend in the future, and the amount of any of such dividends, depends on a number of factors, including the Group’s results of operations, financial condition, amount of capital expenditures, payment by the subsidiaries of cash dividends to the Company and such other factors as the Directors may deem relevant.

Any declaration or proposed payment of dividend or distribution by the Company is also subject to any requirements and restrictions under the Companies Law of the Cayman Islands, the Articles and any other applicable laws, rules and regulations.

The Directors proposes a final cash dividend of 3.5 HK cents per Share for the FY2021 (FY2020: Nil), subject to the approval of the Shareholders at the forthcoming annual general meeting (the “**Annual General Meeting**”) to be held on Friday, 24 June 2022. The final dividend will be payable on or about Monday, 18 July 2022 to the Shareholders whose names appear on the register of members of the Company on Monday, 4 July 2022.

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity and indebtedness

The Group’s business operation is generally financed by its internal financial resources and bank borrowings. In addition, during the FY2021, the Group has received net proceeds from the Global Offering of HK\$970.2 million.

As of 31 December 2021 and 2020, the restricted bank balances and the bank and cash balances amounted to RMB1,605.5 million and RMB747.6 million, respectively. These balances were maintained at a prudent level for the purpose of satisfying the requirements for daily business operations of the Group. The increase in the bank and cash balances as of 31 December 2021 was mainly due to the receipt of the net proceeds from the Global Offering.

As of 31 December 2021 and 2020, the borrowings amounted to RMB157.9 million and RMB165.6 million, respectively. The decrease in the borrowings was because of the repayment of bank loans of RMB3.6 million and finance lease of RMB17.1 million in the FY2021.

Gearing ratio

The gearing ratio (calculated as total liabilities divided by total equity) of the Group was 11.2% as of 31 December 2021 (31 December 2020: 18.3%). The decrease was primarily due to the receipt of the net proceeds from the Global Offering.

Equity and net asset value

Shareholders' funds of the Company as of 31 December 2021 amounted to RMB99.3 million, as compared to RMB12.3 million as of 31 December 2020. Net asset value per Share contributed to owners of the Company as of 31 December 2021 amounted to RMB1.82, as compared to RMB8.13 as of 31 December 2020 on which the Listing was not completed.

Contingent liabilities

As of 31 December 2021, the Group did not have any material contingent liabilities.

Pledge of assets

As of 31 December 2021, certain property, plant and equipment, right-of-use assets and cash deposits with aggregate net book value of RMB112.0 million, as compared to RMB135.2 million as of 31 December 2020, were pledged to financial institutions as collaterals for bills payables, bank borrowings and lease liabilities.

CAPITAL STRUCTURE

Save for the reorganisation for the Listing and completion of the Global Offering, there has been no material change in the capital structure of the Company during the FY2021. 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 FY2021 is set forth in the paragraphs under "Share Option Scheme" below.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital commitments represent the amount of capital expenditure contracted for as of a particular date but not yet incurred. As of 31 December 2021 and 2020, the capital commitments amounted to RMB635.0 million and RMB568.3 million, respectively, which represent the commitments to purchase property, plant and equipment and include (a) the modifications and expansions of the Phase 1 Production Plant and (b) the construction of the Phase 2 Production Plant and the Luzhai Synthetic Mica Plant and the acquisition of the related production facilities.

FOREIGN EXCHANGE EXPOSURE

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

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL

Save as disclosed in the paragraphs under “Use of the Net Proceeds from the Global Offering” in this announcement, the Group did not have any significant investment, material acquisition or disposal during the FY2021.

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 501 employees in the PRC and two employees in Hong Kong as of 31 December 2021 (31 December 2020: 462 and nil, 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.

SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) was approved and conditionally adopted pursuant to the resolutions passed by the shareholders of the Company on 2 June 2021 (the “**Adoption Date**”) for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. Since the Adoption Date and up to 31 December 2021, no share options of the Company were granted, exercised, cancelled or lapsed under the Share Option Scheme.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any of the Company’s listed securities for the FY2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as of the date of this announcement, there is sufficient public float of not less than 25% of the shares are in the hands of the public as required under the Rules Governing the Listing of Securities on The Stock Exchange (the “**Listing Rules**”).

SUBSEQUENT EVENTS

There was no significant event affecting the Group which occurred after 31 December 2021 and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company's corporate governance practices are based on the principles and code provisions as contained in the Corporate Governance Code (the "**Corporate Governance Code**") set forth in Part 2 of Appendix 14 to the Listing Rules 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 since the Listing Date and up to 31 December 2021.

Pursuant to code provision C.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-balances of power and authority.

The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole. Save for the above deviation, the Board is of the view that the Company has complied with the applicable code provisions as set forth in the Part 2 of the Corporate Governance Code since the Listing Date and up to 31 December 2021. 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 MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set forth in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, they have confirmed their compliance with the required standard as set forth in the Model Code since the Listing Date and up to 31 December 2021.

AUDIT COMMITTEE REVIEW

The Company has established an audit committee (the “**Audit Committee**”), comprising 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 is the Chairman of the Audit Committee. The primary duties of the audit committee are to review and supervise the financial reporting process and risk management and internal control systems of the Group and provide comment and advice to the Board. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the FY2021.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the FY2021 as set forth in this announcement have been agreed by the Group’s auditor, RSM Hong Kong, to the amounts set forth in the Group’s preliminary audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on this preliminary announcement.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Essence Corporate Finance (Hong Kong) Limited (“**Essence**”), the Company’s compliance adviser, save for the compliance adviser agreement entered into between the Company and Essence dated 28 June 2021 in connection with the Listing, none of Essence or its directors, employees or close associates (as defined in the Listing Rules) had any interest in the Group as of 31 December 2021, which is required to be notified to the Company pursuant to Rule 3A.19 of the Listing Rules.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting will be held on Friday, 24 June 2022. The register of members of the Company will be closed from Tuesday, 21 June 2022 to Friday, 24 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to determine the entitlement to attend and vote at the Annual General Meeting, all share transfers accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 20 June 2022.

The register of members of the Company in Hong Kong will be closed from Thursday, 30 June 2022 to Monday, 4 July 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all share transfer documents accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 29 June 2022.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the FY2021 containing all the information required by Appendix 16 of the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Global New Material International Holdings Limited
SU Ertian
Chairman and Chief Executive Officer

Hong Kong, 30 March 2022

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