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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 FOR THE YEAR ENDED 31 DECEMBER 2023

The Board is pleased to announce the annual results of the Group for the FY2023 as follows:

- Revenue amounted to approximately RMB1,064.1 million, representing an increase of approximately 16.1%, as compared to approximately RMB916.8 million in the FY2022.
- Gross profit amounted to approximately RMB528.3 million, representing an increase of approximately 16.0%, as compared to approximately RMB455.3 million in the FY2022; and the gross profit margin for the FY2023 and the FY2022 was approximately 49.7% and 49.7%, respectively.
- Profit attributable to owners of the Company amounted to approximately RMB181.6 million, representing a decrease of approximately 18.9%, as compared to approximately RMB223.8 million in the FY2022; and the net profit margin for the FY2023 and the FY2022 was approximately 20.0% and 25.8%, respectively.

The Board has decided not to declare and pay any final dividend for the FY2023 (FY2022: 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 2023 (the “**FY2023**”). The following sets forth the audited consolidated results of the Group for the FY2023 and the comparative figures for the year ended 31 December 2022 (the “**FY2022**”):

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Note	<u>2023</u>	<u>2022</u>
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	1,064,055	916,820
Cost of goods sold		(528,035)	(455,151)
Sales related tax and auxiliary charges		(7,691)	(6,334)
Gross profit		528,329	455,335
Other income and other gains and losses		27,955	18,301
Reversal of impairment losses/(impairment losses)			
for trade, bills and other receivables, net		618	(3,505)
Selling expenses		(62,803)	(56,687)
Administrative and other operating expenses		(188,636)	(128,024)
Profit from operations		305,463	285,420
Finance costs		(51,432)	(10,952)
Profit before tax		254,031	274,468
Income tax expense	6	(40,746)	(37,958)
Profit for the year	7	<u>213,285</u>	<u>236,510</u>
Attributable to:			
Owners of the Company		181,578	223,788
Non-controlling interests		31,707	12,722
		<u>213,285</u>	<u>236,510</u>
Earnings per share	9		
– Basic (RMB)		<u>0.15</u>	<u>0.22</u>
– Diluted (RMB)		<u>0.15</u>	<u>0.22</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	213,285	236,510
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement loss on defined benefit pension plan	(4,925)	—
Income tax on item that will not be reclassified to profit or loss	1,029	—
	(3,896)	—
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	518	(3)
Other comprehensive income for the year, net of tax	(3,378)	(3)
Total comprehensive income for the year	209,907	236,507
Attributable to:		
Owners of the Company	180,186	223,785
Non-controlling interests	29,721	12,722
	209,907	236,507

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2023

	Note	<u>2023</u>	<u>2022</u>
		<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		1,105,166	759,364
Right-of-use assets		66,265	63,256
Intangible assets		23,787	—
Deposits paid for acquisition of property, plant and equipment		—	184
Goodwill		104,171	—
Restricted deposit		2,050	—
Defined benefit assets, net		5,246	—
Deposits and other receivables		1,418	—
Deferred tax assets		11,835	1,190
Total non-current assets		<u>1,319,938</u>	<u>823,994</u>
Current assets			
Inventories		237,319	120,130
Trade and bills receivables	10	365,313	308,119
Deposits, prepayments and other receivables		27,803	21,900
Restricted deposits		375	—
Tax recoverable		1,058	—
Bank and cash balances		3,203,476	1,882,727
Total current assets		<u>3,835,344</u>	<u>2,332,876</u>
TOTAL ASSETS		<u><u>5,155,282</u></u>	<u><u>3,156,870</u></u>

	Note	<u>2023</u>	<u>2022</u>
		<i>RMB'000</i>	<i>RMB'000</i>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	11	103,701	99,319
Reserves		3,052,789	2,258,121
		3,156,490	2,357,440
Non-controlling interests		928,655	185,886
		4,085,145	2,543,326
LIABILITIES			
Non-current liabilities			
Bank loans and other borrowings		94,614	130,940
Convertible bonds		576,142	294,217
Lease liabilities		3,046	66
Other payables		468	—
Deferred revenue		6,319	2,455
Deferred tax liabilities		17,981	4,703
Total non-current liabilities		698,570	432,381
Current liabilities			
Bank loans and other borrowings		232,376	72,373
Derivative component of convertible bonds		5,706	5,783
Lease liabilities		1,863	211
Trade payables	12	33,257	23,551
Accruals and other payables		84,820	74,178
Contract liabilities		184	13
Deferred revenue		4,614	1,448
Current tax liabilities		8,747	3,606
Total current liabilities		371,567	181,163
TOTAL EQUITY AND LIABILITIES		5,155,282	3,156,870

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 production and sales of pearlescent pigment products and functional mica filler and related products in the PRC and the Republic of Korea (“**Korea**”).

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board (the “**IASB**”). IFRS Accounting Standards 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 on the Stock Exchange (the “**Listing Rules**”) and with the disclosure requirements of the Companies Ordinance (Cap. 622).

The IASB has issued certain new and revised IFRS Accounting Standards 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 IFRS Accounting Standards

(a) Application of new and revised IFRS Accounting Standards

The Group has applied the following new and amendments to IFRS Accounting Standards issued by IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to IFRS Accounting Standards in the current year has 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.

***Impact on application of Amendments to IAS 1 and IFRS Practice Statement 2
“Disclosure of Accounting Policies”***

The Group has adopted Amendments to IAS 1 and IFRS Practice Statement 2 “Disclosure of Accounting Policies” for the first time in the current year. IAS 1 “Presentation of Financial Statements” is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 “Making Materiality Judgements” (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in the consolidated financial statements.

(b) Revised IFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following amendments to standards and interpretation that have been issued but are not yet effective:

	Effective for accounting periods beginning on or after
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1 - Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16 - Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21 – Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the IASB

The directors of the Company anticipate that the application of all amendments to IFRS Accounting Standards will not have material impact on the consolidated financial statements in the foreseeable future.

4. Revenue

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products for the FY2023 is as follows:

	<u>2023</u>	<u>2022</u>
	<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	964,003	850,699
Functional mica filler and related products	89,433	66,121
Trading of pigments	10,593	—
Others	26	—
Total	<u>1,064,055</u>	<u>916,820</u>

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

5. Segment information

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

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

Prior to the acquisition, the Group previously carried on a single business which is manufacturing and sales of pearlescent pigments products and functional mica filler and related products in the PRC (the “**PRC Business Operation**”), and all the assets are substantially located in the PRC. Accordingly, only one single business reportable segment was determined based on information reported to the executive directors of the Company.

Following the acquisition of CQV in August 2023, the executive directors of the Company has updated the internal reporting for resource allocation and assessment of segment performance, based on the geographical location of business operation. Accordingly, the Group has identified two reportable segments, namely the PRC Business Operation and the Korea Business Operation, as opposed to the previous single reportable segment. The comparative figures of the PRC Business Operation for the year ended 31 December 2022 were provided to align with the current year presentation. As at 31 December 2023, the Group has identified two reportable segments as follows:

- PRC Business Operation — manufacturing and sales of pearlescent pigment and functional mica filler in the PRC

- Korea Business Operation — manufacture and sale of pearlescent pigment in Korea

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

Segment profits or losses do not include unallocated administrative expenses, other income, other gains and losses, finance costs and income tax credit or expenses. Segment assets do not include unallocated prepayment, deposit, tax recoverable and bank and cash balances. Segment liabilities do not include unallocated accruals and other payable, convertible bond, derivative component of convertible bond, lease liabilities and current tax liabilities.

The Group accounts for inter-segment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

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

	Korea	PRC	
	Business	Business	
	Operation	Operation	Total
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2023			
Revenue from external customers			
– Pearlescent pigment	92,487	871,516	964,003
– Functional mica filler and related products	—	89,433	89,433
– Trading of pigments	10,593	—	10,593
– Others	26	—	26
Intersegment revenue	—	388	388
Total revenue of reportable segments	103,106	961,337	1,064,443
Segment profit	8,946	266,560	275,506
Interest income	85	8,882	8,967
Interest expense	1,369	20,656	22,025
Depreciation and amortisation	9,871	53,595	63,466
Income tax expense	1,078	39,668	40,746
Additions to segment non-current assets (other than those arising from the acquisition)	1,263	159,489	160,752
As at 31 December 2023			
Segment assets	617,378	4,180,031	4,797,409
Segment liabilities	100,291	638,209	738,500

	PRC Business Operation <u>RMB'000</u>
Year ended 31 December 2022	
Revenue from external customers	
– Pearlescent pigments	850,699
– Functional mica filler and related products	<u>66,121</u>
Total revenue of reportable segment	916,820
Segment profit	254,151
Interest income	15,401
Interest expense	10,942
Depreciation and amortisation	38,786
Income tax expense	35,790
Additions to segment non-current assets	225,545
As at 31 December 2022	
Segment assets	2,856,296
Segment liabilities	<u><u>308,201</u></u>

Reconciliations of segment revenue and profit or loss:

	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
Total revenue of reportable segments	1,064,443	916,820
Elimination of intersegment revenue	(388)	—
Consolidated revenue	<u>1,064,055</u>	<u>916,820</u>
Profit or loss		
Total profit or loss of reportable segments	275,506	254,151
Unallocated amounts:		
Administrative expenses	(43,710)	(11,255)
Interest expenses	(29,407)	(10)
Interest income	2,745	2
Others	8,151	(6,378)
Consolidated profit after tax	<u>213,285</u>	<u>236,510</u>

Reconciliations of segment assets and liabilities:

	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Assets		
Total assets of reportable segments	4,797,409	2,856,296
Unallocated assets:		
Right-of-use assets	4,142	172
Property, plant and equipment	1,112	—
Bank and cash balances	350,791	300,141
Others	1,828	261
Consolidated total assets	<u>5,155,282</u>	<u>3,156,870</u>
	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities		
Total liabilities of reportable segments	738,500	308,201
Unallocated liabilities:		
Convertible bond	313,029	294,217
Derivative component of convertible bond	3,822	5,783
Others	14,786	5,343
Consolidated total liabilities	<u>1,070,137</u>	<u>613,544</u>

Geographical information:

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

	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
The PRC	961,325	896,477
Korea	38,341	—
The United States	9,771	—
Others	54,618	20,343
Consolidated total	<u>1,064,055</u>	<u>916,820</u>

The Group's information about its non-current assets, other than deferred tax assets, by location of assets are detailed below:

	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
The PRC	928,298	822,561
Korea	365,789	—
Hong Kong	5,255	172
Others	47	71
Consolidated total	<u>1,299,389</u>	<u>822,804</u>

Revenue from major customers:

There was no customer that had contributed over 10% of the Group's revenue during the year ended 31 December 2023 and 2022.

6. Income tax expense

	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
Provision for the year		
- PRC Enterprise Income Tax	36,312	31,477
- Korea Corporate Income Tax	2,074	—
- Hong Kong Profits Tax	—	694
	<u>38,386</u>	<u>32,171</u>
Under/(over)-provision in prior year		
- PRC Enterprise Income Tax	946	979
- Hong Kong Profits Tax	(1)	1,474
	<u>945</u>	<u>2,453</u>
	<u>39,331</u>	<u>34,624</u>
Deferred tax	<u>1,415</u>	<u>3,334</u>
	<u>40,746</u>	<u>37,958</u>

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

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

Except for the preferential PRC Enterprise Income Tax (“**EIT**”) rate applicable to the subsidiaries of the Company in the PRC as described below, other subsidiaries of the Company in the PRC are subject to PRC EIT at a rate of 25% (FY2022: 25%) for the FY2023.

Korea Corporate Income Tax is calculated at 9% for assessable income below Korean Won (“**KRW**”) 200 million, 19% for assessable income between KRW200 million and KRW20 billion, 21% for assessable income between KRW20 billion and KRW300 billion and 24% for assessable income above KRW300 billion for the FY2023.

France Corporation Tax is calculated at the applicable rate of 25% (FY2022: 25%) in accordance with the relevant law and regulations in France for the FY2023.

The Company is incorporated in the Cayman Islands and subject to Hong Kong Profits Tax. No provision for Hong Kong profits tax has been made in the financial statements since the Company has no assessable profit for the FY2023.

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

Those subsidiaries incorporated in Hong Kong and France have had no assessable profit subject to Hong Kong Profits Tax or France Corporation Tax during the FY2023 and the FY2022, respectively.

Pursuant to the relevant laws and regulations in the PRC, Guangxi Chesir Pearl Material Co., Ltd. (“**Chesir Pearl**”) and Luzhai Chesir Pearl Mica Material Co., Ltd. (“**Chesir Luzhai**”), subsidiaries of the Company, obtained the high and new technology enterprise certificate to entitle to a preferential tax rate of 15% (FY2022: 15%) during the FY2023, 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:

	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Auditor's remuneration		
— audit service	2,618	1,650
— non-audit service	1,792	580
Costs in relation to acquisition of CQV (included in administrative expenses)	3,569	—
Amortisation of intangible assets	2,988	—
Depreciation on property, plant and equipment	58,848	37,359
Depreciation on right-of-use assets	2,252	1,668
Research and development expenditures	75,018	71,917
Cost of inventories sold (note)	528,035	455,151
Allowance for inventories (included in cost of sales)	117	—
(Reversal of impairment losses)/impairment losses for trade, bills and other receivables, net	<u>(618)</u>	<u>3,505</u>

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

	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs	57,061	46,668
Depreciation on property, plant and equipment	25,231	16,325
Operating lease charge	<u>3</u>	<u>—</u>

8. Dividends

The Board has decided not to declare and pay any final dividend for the FY2023 (2022 : Nil).

9. Earnings per share

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

	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Profit for the purpose of calculating basic and diluted earnings per share	<u>180,341</u>	<u>223,788</u>
	<u>2023</u>	<u>2022</u>
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,208,799	1,019,270
Effect of dilutive potential ordinary shares arising from convertible loan outstanding	<u>—</u>	<u>241</u>
	<u>1,208,799</u>	<u>1,019,511</u>

No adjustment has been made to the basic earnings per share amounts presented for the FY2023 in respect of a dilution as the impact of the conversion of convertible bonds had an anti-dilutive effect on the basic earnings per share amounts presented.

10. Trade and bills receivables

	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	372,686	319,109
Bills receivables	4,727	—
Allowance for doubtful debts	<u>(12,100)</u>	<u>(10,990)</u>
	<u>365,313</u>	<u>308,119</u>

The Group generally allows a credit period from 30 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 and bills receivables based on the invoice date (or date of revenue recognition, if earlier), and net of allowance, is as follows:

	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	309,651	264,228
91 to 180 days	55,222	43,180
181 to 365 days	<u>440</u>	<u>711</u>
	<u>365,313</u>	<u>308,119</u>

11. Share capital

	<u>Number of shares issued</u>	<u>Authorised</u> <i>HK\$'000</i>	<u>Issued and fully paid</u> <i>RMB'000</i>
Share capital of the Company in ordinary shares of HK\$0.1 each			
At 1 January 2022, 31 December 2022 and 1 January 2023	1,191,763,586	8,000,000	99,319
Shares issued for acquisition of a subsidiary (note)	<u>47,106,546</u>	<u>—</u>	<u>4,382</u>
At 31 December 2023	<u><u>1,238,870,132</u></u>	<u><u>8,000,000</u></u>	<u><u>103,701</u></u>

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

12. Trade payables

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

	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	32,707	22,509
91 to 180 days	205	573
181 to 365 days	85	104
Over 365 days	260	365
	<u>33,257</u>	<u>23,551</u>

13. Contingent liabilities

CQV is a defendant in a lawsuit for injunction of patent infringement brought during 2022 claiming approximately RMB1.1 million. The Group intends to contest the claim, and while the final outcome of the proceedings is uncertain, it is the directors' opinion that the ultimate liability, if any, will not have a material impact on the Group's financial position.

14. Capital commitments

Capital commitments contracted for at the end of the reporting period but not yet incurred and provided for are as follows:

	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	<u>275,058</u>	<u>441,876</u>

BUSINESS DEVELOPMENT REVIEW

In the FY2023, under the leadership of the Directors and management, we focused on the core business of pearlescent materials, accelerated various strategic layouts, adopted positive changes and proactive response strategies, promoted the steady development of all businesses, made significant progress in various aspects, further consolidated our market position and ranked among the top three in the global pearlescent pigment market as measured by sales. For the FY2023, the Company's revenue amounted to approximately RMB1,064.1 million, representing a year-on-year increase of approximately 16.1%, while the net profit amounted to approximately RMB213.3 million, representing a decrease of approximately 9.8%, as compared to approximately RMB236.5 million in the FY2022. EBITDA for the FY2023 amounted to approximately RMB369.6 million, representing a year-on-year increase of approximately 13.9% as compared with approximately RMB324.4 million for the FY2022.

Focused on the main business of pearlescent materials to enhance core competitiveness

In the FY2023, we dug deep into the production capacity of the Phase 1 Production Plant and steadily pushed forward the construction of the Phase 2 New Production Plant. The construction of the Phase 2 Pearlescent Material Plant of Chesir Pearl has been completed and it officially commenced production in February 2024, which will increase the Group's annual production capacity by 30,000 tonnes. The new plant applies automation and intelligent technology in depth, as part of the Group's commitment to become a global leader in the intelligent manufacturing of pearlescent pigments.

In the FY2023, we continued to expand the number of pearlescent pigment products we offered. We anchored on popular colours and market demand, and launched new high-end pearlescent pigments that are popular with many customers, further highlighting our brand strength, enriching our product matrix and building a strong competitive barrier. During the FY2023, we launched 31 new natural mica-based pearlescent pigment products, 60 synthetic mica-based pearlescent pigment products, 18 glass flake-based pearlescent pigment products and 14 aluminium oxide-based pearlescent pigment products.

As at 31 December 2023, the total number of pearlescent pigment products offered by Chesir Pearl of Global New Material had reached 1,083, which comprise:

- (a) 573 natural mica-based pearlescent pigment products under 17 series of different colours, textures and gloss levels;

- (b) 422 synthetic mica-based pearlescent pigment products under 14 series of different colours, textures and gloss levels;
- (c) 67 glass flake-based pearlescent pigment products under 4 series of different transparency, refractive index and flake structure; and
- (d) 21 silicon oxide-based pearlescent pigment products under 1 series.

As at 31 December 2023, the total number of pearlescent pigment products offered by CQV, a recently acquired non-wholly owned operating subsidiary of the Company in Korea, was 976 products, which comprise:

- (1) 499 synthetic mica-based products;
- (2) 158 natural mica-based products;
- (3) 140 glass flake-based products;
- (4) 98 aluminium oxide-based products;
- (5) 3 PMSQ and silicon dioxide-based products;
- (6) 42 hollow flake titanium oxide-based products;
- (7) 33 aluminium silver paste metal pigment products; and
- (8) 3 coloured aluminium metal pigment products.

Adhered to innovation-driven development, enhancing quantity and quality of scientific research achievements

During the FY2023, we invested 75.0 million in R&D, accounting for approximately 7.1% of operating revenue, representing a year-on-year increase of approximately 4.3%. We achieved good results in R&D, resulting in a large number of scientific and technological achievements with independent intellectual property rights. During the FY2023, we successfully obtained 16 new granted patents, filed 3 new patent applications and had 7 patents under substantive examination. We have been recognised as a “National High-tech Enterprise”, “National Intellectual Property Advantageous Enterprise”, “Guangxi Technological Innovation Demonstration Enterprise” and “Guangxi Innovative Small and Medium-sized Enterprise”. In addition, not long ago, we were also recognised as a “Guangxi Specialized, New Small and Medium-sized Enterprise (廣西專精特新中小企業)”, which lays a solid foundation for the Company to grow into a “National Specialized, and New Small and Medium-sized Giant Enterprise (國家級專精特新小巨人企業)”.

As at 31 December 2023, we owned a total of 151 patents, 74 registered trademarks and 4 software copyrights.

Strengthened deep integration of industry-academia-research, and promoted the transformation of scientific and technological achievements into productivity

During the FY2023, we comprehensively promoted the in-depth integration of the development of “industry, academia, research and application (產、學、研、用)” with Zhejiang University, Guangxi University of Science and Technology and other colleges and universities. We made breakthroughs in a number of new energy research and development projects jointly carried out with Zhejiang University, among which synthetic mica-based new energy battery insulation and flame retardant materials have been commercialised. Our subsidiary, Chesir Luzhai, developed a variety of synthetic mica functional fillers, which are used in cosmetic functional fillers, art paints and other high-end fields, successfully opening up a second runway and creating a second growth curve.

Seized market opportunities to further strengthen market position

During the FY2023, we seized the market opportunity to further upgrade and optimise our marketing channels and enhance our brand influence. We actively participated in exhibitions around the world, such as the European Coatings Show (ECS2023) in Nuremberg, Germany, the 27th China International Coatings Exhibition (CHINACOAT2022), the edition of Personal

Care and Homecare Ingredients (PCHi2023) (中國國際化妝品個人及家庭護理用品原料展覽會) in Guangzhou, and the 2023 China International Coatings Show (CHINACOAT)/China International Surface Treatment Exhibition(SFCHINA) in Shanghai, to promote pearlescent pigment products. We carry out targeted and precise marketing according to the product characteristics of each pearlescent pigment. In addition, we are actively preparing for further expansion into the international market. With the synergistic integration of CQV into our Group as further discussed below, our global marketing channel layout has become more optimised.

Accelerated integration, and achieved milestone results in the synergistic integration with CQV

In the FY2023, after the completion of the acquisition of CQV on 22 August 2023, the Group immediately commenced the post-acquisition integration of CQV into the operations of our Group, and engaged, a top global management consulting firm with rich experience in integrating multinational enterprises, to fully assist in advancing the synergistic integration work. Focusing on the synergistic integration of technology, products, business, sales channels, supply chain and other aspects. We formulated a comprehensive and detailed plan, clearly defined the integration objectives, team and function allocation, and steadily advanced the work through mutual visits and exchanges, in-depth communication at the plant, online communication and other technical means.

As at the date of this announcement, the Group and CQV had achieved milestone results in our synergistic integration in terms of the following:

- (a) on product synergy, both of us complement each other's strengths in the product matrix of application areas, forming synergy effects and consolidating our advantages in the high-end market;
- (b) on sales channel synergy, we integrate the market sales network of the two sides to achieve differentiated product cross-selling and to help the Company domestic and overseas market expansion;
- (c) on R&D technology synergy, we further integrate the technology research and development resources of both parties to promote the Company to become an industry leader in the global pearlescent pigment market with advanced technological leadership; and
- (d) synergy of production and manufacturing, our excellent quality synthetic mica solves the raw material problem of CQV, promotes the accelerated release of CQV's production capacity, reduces the procurement cost, and further drives the Group to go from strength-to-strength in its synthetic mica business.

FINANCIAL REVIEW

The following sets forth the management discussion and analysis of the performance of the Group during the FY2023. Comparisons have also been made to the performance of the Group during the FY2022. Please refer to note 2 to this annual results announcement on the basis upon which the results of the Group are prepared for the FY2023 and the FY2022.

Revenue

The Group is principally engaged in the business of the production and sales of pearlescent pigment products and functional mica and related products in the PRC and Korea. The assets of the Group are substantially located in the PRC and Korea. Following the acquisition of CQV in August 2023 and as at 31 December 2023 and the date of this announcement, the Group operates two reportable segments, namely, the PRC Business Operation and the Korea Business Operation, as compared to a single reportable segment prior to the acquisition of CQV. The Group's reportable segments are strategic business units managed by separate management as each segment requires different marketing strategies. The Group offers to its customers a range of pearlescent pigment products, namely (a) natural mica-based pearlescent pigment products; (b) synthetic mica-based pearlescent pigment products; (c) glass flake-based pearlescent pigment products; (d) silicon oxide-based pearlescent pigment products; (e) aluminium oxide-based pearlescent pigment products; and (f) aluminium-based pearlescent products.

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

The table below sets forth an analysis of the Group's revenue by reportable segments:

	Year ended 31 December			
	2023		2022	
	Revenue	Proportion of Revenue	Revenue	Proportion of revenue
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
PRC Business Operation	960,949	90.3	916,820	100.0
Korea Business Operation	103,106	9.7	—	—
Total	1,064,055	100.0	916,820	100.0

The total revenue of the Group increased from approximately RMB916.8 million for the FY2022 to approximately RMB1,064.1 million for the FY2023, representing a year-on-year increase of approximately 16.1%. The revenue generated from the PRC Business Operation, which accounted for approximately 90.3% (FY2022: 100%) of the total revenue of the Group for the FY2023, increased by approximately 4.8% from approximately RMB916.8 million for the FY2022 to approximately RMB960.9 million for the FY2023. Such increase was mainly due to the increase in sales in synthetic mica-based pearlescent pigment products. The revenue generated from the Korea Business Operation, recorded by way of the consolidation of CQV into the account of the Group as a non-wholly owned subsidiary of the Company since August 2023, amounted to approximately RMB103.1 million for the FY2023, accounting for approximately 9.7% (FY2022: nil) of the total revenue of the Group for the FY2023.

The table below sets forth an analysis of the Group's revenue by major products:

	Year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Pearlescent pigment products				
– Natural mica-based.....	399,762	37.6	412,954	45.0
– Synthetic mica-based.....	438,171	41.2	378,814	41.3
– Glass flakes-based.....	79,419	7.5	51,720	5.7
– Silicon oxide-based.....	11,395	1.0	7,211	0.8
– Aluminium oxide-based.....	33,060	3.1	—	—
– Aluminium-based.....	2,196	0.2	—	—
	964,003	90.6	850,699	92.8
Functional mica filler ⁽¹⁾	83,766	7.9	64,351	7.0
New energy material ⁽²⁾	5,667	0.5	1,770	0.2
Others	10,619	1.0	—	—
Total	1,064,055	100.0	916,820	100.0

Notes:

- (1) The Group produces functional mica filler of different granule sizes, which can be used by the Group for the production of synthetic mica-based pearlescent pigment products. The functional mica filler can also be sold to the customers of the Group, in most cases upon the customers' requests, as their raw materials for the production of functional mica filler, insulating materials, refractory materials and nickel-hydrogen batteries.
- (2) The Group had developed a number of synthetic mica-based new energy battery insulation and flame retardant materials. The high temperature resistance parameter reaches 1,150°C and a high voltage breakdown resistance parameter reaches 20KV/mm.

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

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

	Year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Trading company customers				
– Pearlescent pigment products.	796,922	74.9	698,412	76.2
– Functional mica filler	78,899	7.4	57,670	6.3
– New energy material*	—	—	—	—
– Others	9,469	0.9	—	—
	885,290	83.2	756,082	82.5
End user customers				
– Pearlescent pigment products.	167,081	15.7	152,287	16.6
– Functional mica filler	4,867	0.5	6,681	0.7
– New energy material	5,667	0.5	1,770	0.2
– Others	1,150	0.1	—	—
	178,765	16.8	160,738	17.5
Total	1,064,055	100.0	916,820	100.0

* Value insignificant

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

	Year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
The PRC.....	961,325	90.3	896,477	97.8
Asia ⁽¹⁾	64,927	6.1	6,921	0.7
Europe ⁽²⁾	22,599	2.1	6,455	0.7
Africa ⁽³⁾	2,929	0.3	6,967	0.8
North America ⁽⁴⁾	10,232	1.0	—	—
South America ⁽⁵⁾	2,043	0.2	—	—
Total	<u>1,064,055</u>	<u>100.0</u>	<u>916,820</u>	<u>100.0</u>

* Value insignificant

Notes:

- (1) Countries and territories in Asia include Pakistan, Hong Kong, Macau and Taiwan, Korea, Bangladesh, Japan, Thailand, Turkey, Israel, India, Indonesia, Jordan, Singapore, Vietnam, Kazakhstan, Uzbekistan, Malaysia and Australia.
- (2) European countries include Estonia, Belgium, Poland, Germany, Finland, Netherlands, Serbia, Switzerland, Spain, Italy, the United Kingdom, France and Latvia.
- (3) Countries in Africa include Algeria, Morocco, Tunisia and Egypt.
- (4) Countries in North America include the United States, Canada and Mexico.
- (5) Countries in South America include Brazil and Chile.

Sales of pearlescent pigment products

The revenue generated from sales of pearlescent pigment products increased to approximately RMB964.0 million in the FY2023 from approximately RMB850.7 million in the FY2022, representing an increase of approximately RMB113.3 million or approximately 13.3%. Sales of natural mica-based pearlescent pigment products decreased by approximately RMB13.2 million, or approximately 3.2%, as compared to the FY2022. Sales of synthetic mica-based pearlescent pigment products increased by approximately RMB59.4 million, or approximately 15.7%, as compared to the FY2022. Sales of glass flake-based pearlescent pigment products increased by approximately RMB27.7 million, or approximately 53.6%, as compared to the FY2022. Sales of silicon oxide-based pearlescent pigment products increased by approximately RMB4.2 million, or approximately 58.0%, as compared to the FY2022. Sales of aluminium oxide-based pearlescent pigment products increased by approximately RMB33.1 million, or 100%, as compared to the FY2022. Sales of aluminium-based pearlescent pigment products increased by approximately RMB2.2 million, or 100%, as compared to the FY2022. Sales of other non-pearlescent pigment products increased by approximately RMB10.6 million, or 100%, as compared to the FY2022.

Sales of functional mica filler

The sales of functional mica filler increased to approximately RMB83.8 million in the FY2023 from approximately RMB64.4 million in the FY2022, representing an increase of approximately RMB19.4 million or approximately 30.2%. The increase was due to the increasing demand for the synthetic mica-based pearlescent pigment products and the increase in the production of synthetic mica-based pearlescent pigment products as a result of technological improvement and the commercial operation of the additional equipment of Phase 1 Production Plant.

Sales of new energy material

New energy material produced by the Group included the synthetic mica-based new energy battery insulation and flame retardant materials. The sales of new energy material recorded approximately RMB5.7 million in the FY2023 (FY2022: approximately RMB1.8 million).

Cost of goods sold

The cost of goods sold increased by approximately 16.0% from approximately RMB455.2 million in the FY2022 to approximately RMB528.0 million in the FY2023. The increase in cost of goods sold was mainly due to the increase in the sales volume of pearlescent pigment products by approximately 4.0% from approximately 17,958 tonnes in the FY2022 to approximately 18,685 tonnes in the FY2023 and the increase in the sales volume of functional mica filler by approximately 44.5% from approximately 2,115 tonnes in the FY2022 to approximately 3,057 tonnes in the FY2023.

Gross profit and gross profit margin

The gross profit increased to approximately RMB528.3 million in the FY2023 from approximately RMB455.3 million in the FY2022, representing an increase of approximately 16.0%. The increase in the amount of the gross profit was primarily due to the increase in the amount of revenue. The gross profit margin remained at approximately 49.7% for the FY2023, which was the same as that in the FY2022.

Other income and other gains and losses

The amount of other income and other gains and losses in the FY2023 was approximately RMB28.0 million, as compared to approximately RMB18.3 million in the FY2022. The increase was mainly due to there is an exchange gain in the FY2023 but an exchange loss in the FY2022.

Reversal of impairment losses/impairment losses for trade, bills and other receivables, net

The Group has a reversal of impairment losses for trade, bills and other receivables, net of approximately RMB0.6 million in the FY2023, as compared to impairment losses of approximately RMB3.5 million in the FY2022.

Selling expenses

The selling expenses increased to approximately RMB62.8 million in the FY2023 from approximately RMB56.7 million in the FY2022, representing an increase of approximately 10.8%. The increase in selling expenses was mainly attributable to the increase in selling expenses of the Group's new subsidiary, CQV, by RMB6.9 million.

Administrative and other operating expenses

The administrative and other operating expenses increased to approximately RMB188.6 million in the FY2023 from approximately RMB128.0 million in the FY2022, representing an increase of approximately 47.3%. Such increase was mainly attributable to inclusion of CQV's relevant expenses by way of consolidation of CQV into the accounts of the Group as a non-wholly owned subsidiary of the Company since August 2023; the expenses incurred for merger and acquisition of CQV; the expenses incurred in engaging professional services in relation to potential acquisition opportunities; the staff costs of addition of merger and acquisition team; and the increase in amortisation of intangible assets.

Finance costs

Finance costs increased from approximately RMB11.0 million in the FY2022 to approximately RMB51.4 million in the FY2023, representing a significant increase of approximately 369.6%. Such increase was mainly due to the increase in bank loans and other borrowings, the interest expenses for the Tranche A Convertible Bond and the First Tranche Initial Bond.

Income tax expense

The income tax expense increased to approximately RMB40.7 million in the FY2023 from approximately RMB38.0 million in the FY2022. The increase was primarily due to expansion of the Group's business in Korea through CQV since August 2023; the increase in PRC Enterprise Income Tax; and offset by the decrease in deferred tax in the FY2023.

Profit for the year

As a result of the foregoing, the profit for the FY2023 amounted to approximately RMB213.3 million, representing a decrease of approximately 9.8%, as compared to approximately RMB236.5 million in the FY2022. Net profit margin for the FY2023 and the FY2022 was approximately 20.0% and 25.8%, respectively.

Use of the net proceeds from the Global Offering

The shares (the “**Shares**”) of the Company have been listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 16 July 2021. The Over-allotment Option (as defined and described in the prospectus (the “**Prospectus**”) of the Company dated 30 June 2021) was partially exercised on 5 August 2021. The total number of new Shares issued by the Company under the global offering (the “**Global Offering**”) was 319,742,000 and the amount of the net proceeds received by the Company from the Global Offering amounted to HK\$970.2 million. The Company received the amount of the net proceeds from the Global Offering in July 2021 and August 2021, respectively.

The table below sets forth the intended use of the net proceeds from the Global Offering and actual utilisation amounts for the FY2023:

Prescribed usage	Allocation of the net proceeds from the Global Offering		Amount utilised			Expected timeline for the intended use
	Percentage to the total net proceeds	Remaining balance as at 31 December 2022	Remaining balance as at 31 December 2023	Remaining balance as at 31 December 2023		
	HK\$' million	%	HK\$' million	HK\$' million	HK\$' million	
Construction of the Phase 2 Production Plant	539.5	55.6	341.7	185.1	156.6	By the first quarter of 2025
Construction of the Luzhai Synthetic Mica Plant	330.8	34.1	330.8	— ⁽¹⁾	330.8	By the second quarter of 2025
Increase investment in research and development facilities and testing equipment of the research and development centre	68.9	7.1	44.2	44.2	—	Utilitised
Sales and marketing activities and building sales network	31.0	3.2	18.2	13.3	4.9 ⁽²⁾	By end of 2024
Total	970.2	100.0	734.9	242.6	492.3	

Notes:

- The net proceeds from the Global Offering that would be used for the construction of a synthetic mica plant in Luzhai (the “**Luzhai Synthetic Mica Plant**”) amounted to HK\$330.8 million. During the FY2023, the Group did not use any of such amount for the purpose primarily due to completion of relocation of certain structures built on the land by a corporation did not progress as contemplated. The Board confirms that the proposed use of the net proceeds from the Global Offering remains unchanged and that the unutilised portion of such amount would be used by second quarter of 2025 for the same purpose. There are no other changes in the completion time and the use of the net proceeds for the construction of the Luzhai Synthetic Mica Plant as originally planned.

- (2) The net proceeds from the Global Offering that would be used for sales and marketing activities and building sales network amounted to HK\$31.0 million. During the FY2023, the Group incurred expenses in sales and marketing activities in a practical manner, and as a result HK\$4.9 million has remained unutilised as at 31 December 2023. The Board confirms that the proposed use of the net proceeds from the Global Offering remains unchanged and that the unutilised portion of such amount in the FY2023 would be used by the end of 2024 for the same purpose. There are no other changes in the use of the net proceeds as originally planned.

Use of the net proceeds from the issue of the Tranche A Convertible Bond

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

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

The table below sets forth the intended use of the net proceeds from the issue of the Tranche A Convertible Bond and the actual utilisation amount for the FY2023:

Prescribed usage	Allocation of the net proceeds from the issue of the Tranche A Convertible Bond	Percentage to the total net proceeds	Amount utilised			Expected timeline for the intended use
			Remaining balance as at 31 December 2022	Remaining balance as at 31 December 2023	Remaining balance as at 31 December 2023	
	<i>RMB' million</i>	<i>%</i>	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>	
Investment opportunities within the pearlescent pigments and synthetic mica industry	300.0	100.0	300.0	— ⁽¹⁾	300.0	By end of 2024

Note:

- (1) During the FY2023, the Group did not use any of the net proceeds from the issue of the Tranche A Convertible Bond for the intended purpose as disclosed above because the Group is still in the course of exploring suitable investment opportunities. The Board confirms that the intended use remains unchanged and such unutilised proceeds in the FY2023 would be used by the end of 2024 for the same purpose.

On 31 July 2023, the 2022 CB Subscriber submitted to the Company that it was unable to complete the subscription for the Tranche B Convertible Bond on or before 31 July 2023. Therefore, the 2022 CB Subscriber will not proceed to subscribe for the Tranche B Convertible Bond. Further details of which are disclosed in the announcement of the Company dated 31 July 2023.

Use of net proceeds from the issue of the First Tranche Initial Bond

On 5 November 2023, the Company entered into an agreement (the “**Purchase Agreement**”) with Billion New Limited (the “**2023 CB Subscriber**”), pursuant to which (i) the Company conditionally agreed to issue, and the 2023 CB Subscriber conditionally agreed to subscribe for, the 9.0% initial convertible bonds in the aggregate principal amount of up to US\$50.0 million due 2025 (the “**Initial Bonds**”), comprising the First Tranche Initial Bond in the principal amount of up to US\$40.0 million and the Second Tranche Initial Bond in the principal amount of up to US\$10.0 million; and (ii) the Company may, pursuant to the

terms of the Purchase Agreement, exercise the option to conditionally issue to the 2023 CB Subscriber and/or any other incoming investor(s) 9.0% option convertible bonds in the principal amount of up to US\$30.0 million due 2025 (the “**Option Bonds**”, together with the Initial Bonds, the “**2023 Convertible Bonds**”). The 2023 Convertible Bonds have an initial conversion price of HK\$7.6 per Share and are convertible into Shares. Further details of the 2023 Convertible Bonds are disclosed in the announcement of the Company dated 5 November 2023.

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

The table below sets forth the intended use of the net proceeds from the issue of the First Tranche Initial Bond and the actual utilisation amount for the FY2023:

<u>Prescribed usage</u>	Allocation of the net proceeds from the issue of the First Tranche Initial Bonds <i>US\$' million</i>	Percentage to the total net proceeds <i>%</i>	Amount utilised during the year ended 31 December 2023 <i>US\$' million</i>	Remaining balance as at 31 December 2023 <i>US\$' million</i>	Expected timeline for the intended use
General working capital requirement of the Group	40.0	100.0	5.0	35.0	By end of 2025

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

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

BUSINESS OUTLOOK

2024 is a critical year for the Group in its endeavour to develop into a leading global enterprise in surface performance materials. The Group will continue to follow the development strategy of “Endogenous Development and Outward Expansion (內源式發展及外延式擴張)”, maintain our strategic strength, and insist on making progress while maintaining stability. We will continue to adhere to our mission of “Create Beautiful Colours for the World through Dedication of Premium Quality Products” (奉獻精品,為世界創造美麗色彩) and uphold our corporate value of “Integrity, Innovation, Leadership and Harmony” (誠信、創新、領先、和諧) to promote the sustainable development of the Group’s business by the following strategies:

Continuously strengthen the deep integration of international talent team

The subsidiaries of the Group are located in different countries with different cultural habits, different corporate development histories and different management models, Hence, we will adopt an “inclusive(相容並蓄)” mindset, be guided by a common mission and vision, and take cultural integration as a link to strengthen the in-depth integration and development of the talent teams of our subsidiaries and guide them to contribute to the development of the Company.

Integration and synergistic development

The Group will continue to accelerate the business integration and synergy of all business segments and subsidiaries to achieve complementary advantages, build an ecosystem of supply chain for each internal business, eliminate information silos, and guide and generate good synergies.

Structure the Asia-Pacific regional headquarter function

The Group will build an Asia-Pacific headquarter, which will serve various functions including centralised financial control, global foreign exchange settlement centre, global technology research and development centre, global talent management centre, marketing management centre, etc., so as to provide solid support for the Company’s globalised operation and management, and to continue to improve the overall operation and management efficiency.

Continuously increase investment in research and development

The Group's R&D department will focus on three major directions of R&D, namely new pearlescent pigment products, synthetic mica functional fillers and new energy battery materials, and will continue to innovate and make breakthroughs in the five aspects of new substrates, new products, new processes, new equipment and new applications through R&D investment and technological innovation. In addition, the Group improve the talent team and R&D innovation mechanism, strengthen the deep integration with universities and research institutes, increase the application of intellectual property rights, and further consolidate the Group's R&D capabilities.

Further, the Group will continue to participate in standardisation work with a view to promoting high-quality development in high standards, advancing integration of scientific and technological research and development and standardisation, strengthening its research in key technology areas, assisting high-tech innovation with high standards, leading industry optimisation and upgrades, and striving to promote high-quality development of the industry.

Capture new business opportunities

The Group will make full use of the capital market platform and continue to implement the parallel strategic initiatives of "Endogenous Development and Outward Expansion", accelerate the Group's various strategic layouts, continue to seek for channels with better co-operation bases and advanced technologies, and further enhance its core competitiveness through international acquisitions, in order to accelerate the expansion of the Group's business.

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity and indebtedness

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

As at 31 December 2023 and 2022, the bank and cash balances amounted to approximately RMB3,203.5 million and approximately RMB1,882.7 million, respectively. These balances were maintained at a prudent level for the purpose of satisfying the requirements for daily business operations of the Group. The increase in the bank and cash balances as at 31 December 2023 was mainly due to the inclusion of those of CQV's by way of consolidation of CQV into the account of the Group as a non-wholly owned subsidiary of the Company since August 2023; proceeds received from the issue of the First Tranche Initial Bond; proceeds from the deemed disposal of equity interest in Chesir Luzhai; cash generated from operating activities; and increase of bank loans and other borrowings.

As at 31 December 2023 and 2022, the bank loans and other borrowings amounted to approximately RMB327.0 million and RMB203.3 million, respectively. The increase in the borrowings was mainly attributable to the consolidation of CQV as a non-wholly subsidiary of the Company since August 2023 and the increase in new bank loans and other borrowings of approximately RMB234.4 million, offset by the repayment of bank loans and other borrowings of approximately RMB201.3 million during the FY2023.

As at 31 December 2023, the Group had liability component of the convertible bonds of approximately RMB576.1 million (31 December 2022: approximately RMB294.2 million).

Gearing ratio

The gearing ratio (calculated as total liabilities divided by total equity) of the Group was approximately 26.2% as at 31 December 2023 (31 December 2022: approximately 24.1%). The increase in the gearing ratio was mainly due to the increase of bank loans and other borrowings and the issue of the First Tranche Initial Bond.

Net asset value

As at 31 December 2023 and 2022, the net assets of the Group amounted to approximately RMB4,085.1 million and approximately RMB2,543.3 million, respectively. Net asset value per Share contributed to owners of the Company as at 31 December 2023 amounted to approximately RMB2.55, as compared to approximately RMB1.98 as at 31 December 2022.

Contingent liabilities

As at 31 December 2023, there was a pending lawsuit in respect of seeking an injunction of patent infringement being brought against CQV during 2022 and claiming approximately RMB1.1 million. The Group intends to contest the claim, and while the final outcome of the proceedings is uncertain, it is the Directors' opinion that the ultimate liability, if any, will not have a material impact on the Group's financial position.

Pledge of assets

As at 31 December 2023, certain property, plant and equipment, and right-of-use assets with aggregate net book value of approximately RMB242.0 million, as compared to approximately RMB139.7 million as at 31 December 2022, were pledged to financial institutions as collaterals for bank and other borrowings.

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

CAPITAL STRUCTURE

Save as disclosed, there was no other material change in the capital structure of the Company during the FY2023. 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 FY2023 is set forth in the paragraph under “Share Option Scheme” below.

On 22 August 2023, in connection with the acquisition of CQV, 47,106,546 new ordinary shares of the Company were allotted and issued at a price of HK\$8.0 for each new ordinary share under the general mandate granted to the Directors by a resolution of the Shareholders passed on 27 June 2023 as partial settlement of the aggregate consideration for the Acquisition of KRW85.9 billion (equivalent to approximately RMB465.7 million or approximately HK\$531.6 million).

As at 31 December 2023, the Company had issued (i) the Tranche A Convertible Bond in the aggregate principal amount of RMB300.0 million in relation to the 2022 Convertible Bonds issue on 30 December 2022; and (ii) the First Tranche Initial Bond in the principal amount of US\$40.0 million in relation to the 2023 Convertible Bonds issue on 8 November 2023. Both the Tranche A Convertible Bond and the First Tranche Initial Bond have an initial conversion price of HK\$7.6 per Share and are convertible into the maximum of 43,815,789 and 40,789,474 Shares, respectively.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital commitments represent the amount of capital expenditure contracted for as at a particular date but not yet incurred. As at 31 December 2023 and 2022, the capital commitments amounted to approximately RMB275.1 million and approximately RMB441.9 million, respectively, which represent the commitments to purchase property, plant and equipment and include (a) the modifications and expansions of the Phase 1 Production Plant and (b) the construction of the Phase 2 Production Plant and the Luzhai Synthetic Mica Plant and the acquisition of the related production facilities

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

Acquisition of CQV Shares and CQV Treasury Shares

On 27 January 2023, (i) the Company, Chesir International Holdings Limited (“**Chesir International**”), a wholly owned subsidiary of the Company, Star Cheer Corporation Limited (“**Star Cheer**”), a wholly owned subsidiary of Chesir International, and Mr CHANG Kil Wan (“**Mr CHANG**”) entered into the share purchase agreement (the “**CQV Sale Shares A Agreement**”), pursuant to which Star Cheer conditionally agreed to purchase, and Mr CHANG conditionally agreed to sell, 2,255,189 shares of CQV Co., Ltd. (“**CQV**”), a company incorporated in Korea with limited liability on 20 October 2000 with its shares listed on the Korea Securities Dealers Automated Quotations (KOSDAQ: 101240), (ii) the Company, Chesir International, Star Cheer and Mr LIM Kwang Su (“**Mr LIM**”) entered into the share purchase agreement (the “**CQV Sale Shares B Agreement**”), pursuant to which Star Cheer conditionally agreed to purchase, and Mr LIM conditionally agreed to sell, 873,163 shares of CQV, and (iii) the Company and CQV entered into the share purchase agreement (the “**CQV Treasury Shares Agreement**”), pursuant to which the Company conditionally agreed to purchase, and CQV conditionally agreed to sell, 1,175,576 treasury shares of CQV (collectively, the “**Acquisition**”).

The aggregate consideration for the Acquisition is KRW85.9 billion (equivalent to RMB465.7 million or HK\$531.6 million) which will be settled upon the closing of the Acquisition by way of (a) cash payment of KRW25.0 billion (equivalent to RMB135.5 million or HK\$154.8 million) and (b) allotment and issue of 47,106,546 new ordinary shares (the “**Consideration Shares**”) of the Company at the issue price of HK\$8.0 for each Consideration Share under the general mandate granted to the Directors by the Shareholders’ resolution on 27 June 2023.

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

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

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

Deemed Disposal of equity interest in Chesir Luzhai

On 20 November 2023, Luzhai Chesir Pearl Mica Material Co., Ltd.* (鹿寨七色珠光雲母材料有限公司) (“**Chesir Luzhai**”), an indirect non-wholly owned subsidiary of the Company, and Tonglu New City Development Investment Co., Ltd.* (桐廬新城發展投資有限公司) (the “**Investor**”) entered into a capital increase agreement (the “**Capital Increase Agreement**”), pursuant to which the Investor conditionally agreed to inject RMB1,000,000,000 in cash into Chesir Luzhai (the “**Capital Increase**”). Upon completion of the Capital Increase, the effective equity interest of the Group in Chesir Luzhai will be diluted from approximately 65.28% to approximately 53.73%, and will therefore constitute a deemed disposal pursuant to Rule 14.29 of the Listing Rules (the “**Deemed Disposal**”).

The Company intends to apply the net proceeds of the Capital Increase for its future business expansion and use of investment opportunities at the pearlescent pigments and synthetic mica and related industry.

As at the date of this announcement, all conditions precedent to the Capital Increase Agreement were fulfilled and the total consideration for the Capital Increase in the amount of RMB1,000,000,000 was received by Chesir Luzhai from the Investor. The registration and filing in relation to the Capital Increase with the relevant Administration for Market Regulation authorities of the PRC and the registration of the Investor as an equity interest holder of Chesir Luzhai were also completed.

For further details of the Capital Increase and the Deemed Disposal, which constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules, please refer to the announcements of the Company dated 20 November 2023 and 6 December 2023.

Save as disclosed above and in the paragraphs under “Use of the Net Proceeds from the Global Offering”, “Use of the Net Proceeds from the issue of the Tranche A Convertible Bond” and “Use of net proceeds from the issue of the First Tranche Initial Bond” above, the Group did not have any other significant investment, material acquisition or disposal during the FY2023.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any of the Company's listed securities during the FY2023.

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 589 employees in Mainland China, nine employees in Hong Kong and 171 employees in Korea as at 31 December 2023 (31 December 2022: 581, five 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 and provided a mandatory provident fund scheme to employees in Hong Kong.

FOREIGN EXCHANGE EXPOSURE

The Group primarily operates in the PRC and Korea and most of its business transactions, assets and liabilities are denominated in Renminbi and Korean Won. The Group is exposed to foreign currency risk primarily in respect of US dollars and Japanese Yen denominated transactions arising from purchases of certain imported raw materials and sale and purchase transactions from its operations in Korea. The Directors are of the opinion that the related foreign currency risk exposure has not adversely affect the Group's operations or liquidity and is manageable. During the FY2023, the Group did not commit to any financial instruments to hedge its foreign currency risk exposure. However, the management of the Group will regularly and closely monitor the Group's foreign currency exposure and will consider hedging against significant foreign currency exposure should the need arises.

SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) was approved and conditionally adopted pursuant to the resolutions passed by the Shareholders on 2 June 2021 for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the date it became unconditional and up to the date of this announcement.

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 Listing Rules.

SUBSEQUENT EVENT

There has been no significant event affecting the Group which occurred after 31 December 2023 and up to the date of this announcement which requires disclosure.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company’s corporate governance practices are based on the principles and code provisions as contained in the Corporate Governance Code (the “**CG Code**”) set forth in Part 2 of Appendix C1 to the Listing Rules and the Company has adopted the CG Code as its own code of corporate governance. The CG Code has been applicable to the Company during the FY2023.

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

The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole. Save for the above deviation, the Board is of the view that the Company has complied with the applicable code provisions as set forth in the CG Code for the FY2023. The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set forth in Appendix C3 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiries with all the Directors, they have confirmed their compliance with the required standard as set forth in the Model Code during the FY2023.

AUDIT COMMITTEE REVIEW

The Company has established an audit committee (the “**Audit Committee**”), comprising three independent non-executive Directors namely, Mr HUI Chi Fung, Professor HAN Gaorong and Mr LEUNG Kwai Wah Alex. Mr HUI Chi Fung 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 FY2023.

FINAL DIVIDEND

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 Act of the Cayman Islands, the Articles and any other applicable laws, rules and regulations.

The Board has decided not to declare and pay any final dividend for the FY2023 (FY2022: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting will be held on Friday, 28 June 2024. The register of members of the Company will be closed from Tuesday, 25 June 2024 to Friday, 28 June 2024, 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 transfer documents accompanies by the relevant share certificates, must be lodged with the Company’s branch

share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 24 June 2024.

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 FY2023 as set forth in this preliminary 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 opinion or assurance conclusion has been expressed by RSM Hong Kong on this preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the FY2023 containing all the information required by Appendix D2 to the Listing Rules and other applicable laws and regulations will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chesir.com) in due course.

By order of the Board

Global New Material International Holdings Limited

SU Ertian

Chairman and Chief Executive Officer

Hong Kong, 28 March 2024

As at the date of this announcement, the Board comprises Mr SU Ertian (Chairman and Chief Executive Officer), Mr JIN Zengqin, Mr ZHOU Fangchao, Mr BAI Zhihuan (Vice President) and Ms ZENG Zhu as executive Directors, Mr HU Yongxiang as non-executive Director and Mr HUI Chi Fung, Professor HAN Gaorong and Mr LEUNG Kwai Wah Alex as independent non-executive Directors.

* *For identification purposes only*