CHESIR

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

2022 ANNUAL REPORT

CONTENTS

Corporate Information	02
Chairman's Statement	04
Business Review	07
Financial Review	11
Business Outlook	17
Directors' Report	19
Corporate Governance Report	37
Environmental, Social and Governance Report	55
Biographical Information on Directors and Senior Management	113
Independent Auditor's Report	119
Consolidated Statement of Profit or Loss	125
Consolidated Statement of Profit or Loss and Other Comprehensive Income	126
Consolidated Statement of Financial Position	127
Consolidated Statement of Changes in Equity	129
Consolidated Statement of Cash Flows	130
Notes to the Consolidated Financial Statements	132
Five-year Financial Summary	194

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. SU Ertian *(Chairman and Chief Executive Officer)*
Mr. ZHENG Shizhan *(Resigned on 20 July 2022)*
Mr. JIN Zengqin
Mr. ZHOU Fangchao *(Joint company secretary)*
Mr. BAI Zhihuan *(Vice President)*
(Appointed on 27 August 2022)
Ms. ZENG Zhu *(Appointed on 24 June 2022)*

Non-executive Directors

Mr. QIN Min *(Resigned on 25 April 2022)*
Mr. HU Yongxiang

Independent non-executive Directors

Mr. MAK Hing Keung, Thomas
(Resigned on 5 September 2022)
Mr. HUI Chi Fung *(Appointed on 5 September 2022)*
Professor HAN Gaorong
Mr. LEUNG Kwai Wah Alex

AUDIT COMMITTEE

Mr. MAK Hing Keung, Thomas
(Resigned on 5 September 2022)
Mr. HUI Chi Fung *(Chairman)*
(Appointed on 5 September 2022)
Professor HAN Gaorong
Mr. LEUNG Kwai Wah Alex

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. SU Ertian *(Chairman)*
Professor HAN Gaorong
Mr. MAK Hing Keung, Thomas
(Resigned on 5 September 2022)
Mr. HUI Chi Fung *(Appointed on 5 September 2022)*

JOINT COMPANY SECRETARIES

Mr. ZHOU Fangchao
Mr. NG Cheuk Ming *(Resigned on 29 April 2022)*
Ms. CHEUNG Ka Lun Karen
(Appointed on 29 April 2022)

AUDITOR

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

HONG KONG LEGAL ADVISER

SQUIRE PATTON BOGGS

COMPLIANCE ADVISER

Essence Corporate Finance (Hong Kong) Limited

PRINCIPAL BANKERS

In Hong Kong, China:
Citibank (Hong Kong) Limited
In the Mainland China:
Bank of Liuzhou Co., Ltd.
Liuzhou Urban Rural Credit Cooperative Union

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG, CHINA

Unit A, 10th Floor, Neich Tower
128 Gloucester Road, Wanchai
Hong Kong

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN THE MAINLAND CHINA

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY'S WEBSITE

www.chesir.net

STOCK CODE

06616

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Global New Material International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present the results of the Group for the year ended 31 December 2022 (the "**FY2022**"). The results of the Group for the FY2022 are presented together with the results of the Group for the year ended 31 December 2021 (the "**FY2021**") for comparative purpose.

The FY2022 was of great significance to the Group's business development. Under the leadership of the Board and senior management, the Group coordinated the prevention and control of the pandemic with business development, and took a number of measures to make steady progress in the face of unexpected factors such as the recurrence of the COVID-19 pandemic and the uncertainties caused by international geopolitical conflicts. The Group has been working hard on our pearlescent pigment business and have been steadily advancing the construction of the Phase 2 Production Plant. We have developed a number of synthetic mica-based new energy battery insulation and flame retardant materials, opening up a secondary runway and building the second curve. The Group successfully issued the convertible bonds in the amount of CNH300 million and will be used for investment opportunities within the pearlescent pigment and synthetic mica industry. The Group has been actively implementing the "Dual Carbon" strategy of the National "14th Five-Year Plan", and has been awarded the "National Green Factory" in 2022. In addition to endogenous development, the Group is striving to promote external expansion. In 2023, the Group expected that acquisition of CQV, the largest pearlescent pigment company in Korea and a well-known brand in the global pearlescent pigment industry, can build a solid foundation for the Group's external expansion and it is important for the Group's global business expansion planning.

In 2022, the Group's revenue reached RMB916.8 million, representing a year-on-year increase of 36.9%, and the net profit reached RMB236.5 million, representing a year-on-year increase of 39.9%. The Group continues to be the largest pearlescent pigment manufacturer in China market and the fourth largest pearlescent pigment manufacturer in the global market.

In 2022, under the influence of global inflation and geopolitical conflicts, the Group actively responded to various challenges such as rising upstream raw material prices and pressure on the Group's cost side by continuously optimising the Group's product structure and gradually adjusting to a mid-to-high-end pearlescent pigment production. At the policy level, in 2022, the synthetic mica was confirmed to be included in the "Catalogue of Innovative Development of Industrial Foundation (2021 Edition)" (《產業基礎創新發展目錄 (2021年版) 》), which was compiled by the National Industrial Foundation Expert Committee under the guidance of the Chinese Academy of Engineering and the National Manufacturing Strategy Advisory Committee. The products and technologies included therein are the core products and technologies for the basic industrial development in China. Synthetic mica is a new type of functional material with high added value, high technical barriers and great difficulties in research and development, which makes it difficult to meet the demand in the market. The Group has a complete set of core technologies for artificial synthetic mica, as well as a number of patented technologies for synthetic mica inventions. With the implementation of a number of new industry standards, the Group will actively leverage the technological advantages to promote the use of pearlescent pigment products in the cosmetics and automotive coating fields, expanding the business scope and enhancing overall profitability of the Group.

The Group continued to invest in technological research and development to expand the number of pearlescent pigment products offered by the Group. In 2022, the Group launched 46 new natural mica-based pearlescent pigment products, 51 new synthetic mica-based pearlescent pigment products, 13 new glass flake-based pearlescent pigment products and 3 silicon oxide-based pearlescent pigment products. As of 31 December 2022, the total number of pearlescent pigment products offered by the Group reached 976. Meanwhile, the Group obtained 3 new granted patents, 6 new patent applications and 20 new registered trademarks in 2022. In addition, 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) had made significant achievements in the research and development of battery separator materials and insulation materials, and had successfully developed a number of synthetic mica-based new energy battery insulation materials, which have begun commercialisation.

In 2022, the Group further increased the production capacity and strengthened the market position. The first stage of the Phase 2 Production Plant with an annual production capacity of 30,000 tonnes has been completed and has commenced the trial production, and is expected to release over 6,000 tonnes of production capacity in 2023. From Phase 1 to Phase 2, from low-end pearlescent pigments to high-end pearlescent pigments, the Group is committed to becoming a global leader in the intelligent manufacturing of pearlescent pigments with its innovative products through applying brand-driven approach to brand marketing strategy and developing the Phase 2 Production Plant with intelligence and green development. The Phase 2 Production Plant is the largest and most advanced pearlescent pigment plant under construction in the world with the in-depth application of automation and intelligent technology.

In 2022, the Group insisted on both endogenous development and outward expansion to speed up the Group's internationalisation and make active preparations. On 27 January 2023, the Group announced to acquire CQV, a world-renowned pearlescent pigment company in Korea, which was a solid step forward in the Group's internationalisation. In addition, the Group announced the "Proposed Issue of 3.5% Coupon Convertible Bonds up to CNH500,000,000 under General Mandate" on 28 December 2022 and announced on 30 December 2022 that the completion of the issuance of CNH300,000,000 Tranche A Convertible Bonds. The net proceeds from the convertible bonds issue will be used for investment opportunities in the pearlescent pigment and synthetic mica industries which are accepted by both the Group and the subscribers, thereby laying the foundation for the Company's outward expansion in 2023.

The sword comes out of the sharpening of the sword and the plum blossom comes from the bitter cold(寶劍鋒從磨礪出,梅花香自苦寒來). 2022 was an extraordinary year for the Group. Despite the ever-changing external environment, the Group persevered and forged ahead to achieve excellent results.

Looking ahead, the Group will continue to follow the strategic objective of "Endogenous Development and Outward Expansion (內源式發展及外延式擴張)" established by the Board of Directors and accelerate the Group's strategic layout by focusing on the three main priorities of expanding the production capacity of pearlescent pigment products, strengthening the research and development capability and integrating with CQV in Korea, continuing to seek better cooperation bases and channels for advanced technologies, and further enhancing the core competitiveness through international acquisitions.

CHAIRMAN'S STATEMENT

Under the current policy, the application of green production and low-carbon technologies in the manufacturing industry will become an important trend. The Group will adopt more environmentally friendly production technologies and clean, metal-free raw material production processes to speed up the replacement of traditional chemical pigment products and reduce energy consumption and emissions. With the increasing demand for external appearance and the refinement of research and development technology of synthetic mica, the penetration of pearlescent pigments in the cosmetic and automotive fields will increase. The Group will also continue to integrate our research and development resources with industry trends and customer needs, improve the production and process technologies, and continuously develop new products in order to continue to strengthen the Group's competitive edge in the industry. In view of the new starting point of the acquisition of CQV, the Group will form a joint integration team with the CQV team in Korea to formulate a joint integration plan in terms of development strategy, human resources, technology research and development, sales channels, supply chain, intelligent manufacturing and corporate culture to promote the sharing of resources between the two sides and strive to achieve the effect of "1+1>2".

Finally, on behalf of the Board of Directors, I would like to express my sincere gratitude to the management and staff of the Group for their continued dedication and contribution, and to all shareholders and business partners for their unfailing support. With a determined and solid pace, the Group is moving towards the vision of becoming a global leader in surface performance materials. The Board is confident that, with the joint efforts of all Global New Material people, cultivation and harvest will continue to mingle, ushering in a historic leap forward, achieving leapfrog development and embracing a more promising future!

SU Ertian
Chairman and Chief Executive Officer

27 March 2023

BUSINESS REVIEW

The year of 2022 was extraordinary and full of challenges with a number of unexpected developments both in the international and domestic environments, such as the COVID-19 pandemic, Ukraine-Russia war and the regional geopolitical tensions between several countries. The global economy has struggled to recover from the COVID-19 pandemic and is faced with complicated and volatile risks and challenges. The Chinese government has coordinated well between the control of the pandemic and the sustainable economic and social developments. The economic performance in China was stable in 2022 and started to rebound at the beginning of 2023 following the combined effect of the economic stabilisation policies and the fiscal stimulation measures. Despite the impact of the unfavourable global environment, the pearlescent pigment industry has maintained a steady growth because of a number of positive developments, such as the increasing number of applications and the supports from the national industrial policies in China.

The Group has been developing its business towards its goals. During the FY2022, the Group's revenue amounted to RMB916.8 million, representing a year-on-year increase of 36.9%, and the profit attributable to owners of the Company amounted to RMB223.8 million, representing a year-on-year increase of 38.1%. In the FY2022, the Group seized the emerging business opportunities, optimised its sales channels, excavated the production capacity of the Phase 1 Production Plant[1] and actively enriched its product mix by focusing on the mid-to-high-end pearlescent pigment products, whereby maintaining a steady business growth during the year. The Group continued to expand the production capacity by constructing the Phase 2 Production Plant[2], the first stage of which has been completed and has commenced the trial production, which is expected to increase the Group's annual production capacity by 6,000 tonnes. The Group has also successfully 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 the high voltage breakdown resistance parameter reaches 20KV/mm. The Group is actively developing new lines of products and new applications of its existing products. The Group has also issued convertible bonds in the amount of CNH300 million, the proceeds of which will be used for the investment opportunities in the pearlescent pigment industry.

1. The production plant currently used by the Group for the production of pearlescent pigment products and functional mica filler and related products 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., and the designed annual production capacity of 18,740 tonnes of pearlescent pigment products and the designed annual production capacity of 12,470 tonnes of synthetic mica.

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

BUSINESS REVIEW

The Group's pearlescent pigment products may be broadly divided into (a) natural mica-based pearlescent pigment products; (b) synthetic mica-based pearlescent pigment products; (c) glass flake-based pearlescent pigment products; and (d) silicon oxide-based pearlescent pigment products. The Group's pearlescent pigment products are used as colourants in various applications and industries, including industrial coatings, plastics, textiles and leather, cosmetics and automotive coatings. As of 31 December 2022, the Group offered four major categories of pearlescent pigment products under different product series with different colours, particle sizes and glossiness as follows:

(a) 544 natural mica-based pearlescent pigment products under 17 series of different colours, texture and glossiness;

(b) 362 synthetic mica-based pearlescent pigment products under 14 series of different colours, texture and glossiness;

(c) 49 glass flake-based pearlescent pigment products under three series which has different transparency, refractive index and flake structure; and

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

FAVOURABLE NATIONAL POLICY

Since the implementation of the "14th Five-Year Plan" by the PRC government, the new and innovative material industry has received much attention and is one of the seven strategic emerging industries in China. The new and innovative material industry is considered to be a high-tech industry with significant development potential in the 21st century. The "14th Five-Year Plan" points to the research of high-end new and innovative materials and the development for production of the new and innovative material for the domestic consumption. Mica is one of the new and innovative materials in the industry promoted by the policy. In 2022, the synthetic mica was listed in the "Catalogue of Innovative Development of Industrial Foundation (2021 Edition)" (《產業基礎創新發展目錄 (2021年版) 》), which was compiled by the National Industrial Foundation Expert Committee under the guidance of the Chinese Academy of Engineering and the National Manufacturing Strategy Advisory Committee. The Ministry of Industry and Information Technology has named synthetic mica as one of the 18 key basic new and innovative materials in the project for strengthening industrial foundation (工業強基工程) and is categorised as a new energy material manufacturing and functional filler manufacturing sector of the strategic emerging industries. According to the "Classification of Strategic Emerging Industries (2018)" (No. 23 of the National Bureau of Statistics) (《戰略性新興產業分類(2018)》 (國家統計局令第23號)), the mica-based pearlescent pigment products are another new functional materials which are categorised under the pigment manufacturing sector of the strategic emerging industries.

The National Standardisation Technical Committee of Paints and Pigments (全國塗料和顏料標準化技術委員會) has promulgated a number of new industry standards, including "UV-curable paints for cosmetic packaging materials", "Paints for rail vehicles" and "Self-peeling anti-fouling paints for marine use", which stipulate the requirements, testing methods and inspection standards for paints. Based on the good hydrophilicity and safety of the pearlescent pigment products, the promulgation of the industry standards will further increase the applications of pearlescent pigment products in the field of cosmetic and automotive coatings.

The "Announcement of the Ministry of Finance and the State Taxation Administration on Increasing the Export Tax Refund Rates for Certain Products" (《關於提高部分產品出口退稅率的公告》) sets forth the pigments products with their basic components as one of the commodities for export tax refund. The export tax refund rate for pearlescent pigment products has been increased to 13%. The increase in the export tax refund rate for the pearlescent pigment products will promote the export of the sales of pearlescent pigment products and further enhance international competitiveness of the pearlescent pigment products.

HIGH INDUSTRY GROWTH

According to the Euromonitor and Qianzhan Industry Research Institute (前瞻產業研究院), China's colour cosmetics market reached RMB71.595 billion in 2022, represents a year-on-year increase of 9.05%. The market is expected to reach RMB111.3 billion in 2028, with an average annual growth rate of 7.5% from 2023 to 2028. Benefiting from such rapid growth, the upstream pearlescent pigment market has tremendous potential for further development.

STABLE BUSINESS DEVELOPMENT FOR THE GROUP

During the FY2022, the Group's pearlescent pigment products continued to be used in a wide range of downstream applications, including industrial coatings, plastics, textiles and leather, cosmetics, ceramics and, more importantly, automotive coatings. An analysis of the revenue generated from the different types of pearlescent pigment products of the Group is set forth in the paragraphs under "Financial Review" of this annual report. Accordingly, during the FY2022, the Group's revenue amounted to RMB916.8 million, representing an increase of 36.9% from RMB669.7 million, as compared to the FY2021. This shows that the Group's business continued to grow steadily in the FY2022.

INVESTMENT IN RESEARCH AND DEVELOPMENT

During the FY2022, the Group continued to increase its investment in research and development and expansion of the product offerings of a number of new pearlescent pigment products.

During the FY2022, the Group has successfully applied three new patents and has submitted six patent applications. The Group has also registered 20 new trademarks. As of 31 December 2022, the Group had a total of 36 patents, 33 registered trademarks and four software copyrights.

During the FY2022, the Group launched 46 new natural mica-based pearlescent pigment products, 51 new synthetic mica-based pearlescent pigment products, 13 new glass flake-based pearlescent pigment products and three new silicon oxide-based pearlescent pigment products. As of 31 December 2022, the Group offered 544 natural mica-based, 362 synthetic mica-based, 49 glass flake-based and 21 silicon oxide-based products, and hence, the Group had 976 products offered to its customers.

With the joint efforts of the Chesir Pearlescent New Material Research and Development Centre (七色珠光新材料聯合研發中心) and the University of Zhejiang, the Group has developed a number of synthetic mica-based new energy battery insulation and flame retardant materials, with a high temperature resistance parameter reaches 1,150°C and a high voltage breakdown resistance parameter reaches 20KV/mm. The Group is actively developing new lines of products and applications.

BUSINESS REVIEW

SEIZE BUSINESS OPPORTUNITIES TO FURTHER STRENGTHEN MARKET POSITION

During the FY2022, the Group continued to expand its production capacity. The first stage of the Phase 2 Production Plant has been completed and has commenced the trial production. The Group's production capacity will be further enhanced and is expected to increase by 6,000 tonnes per annum with the new production plant to focus on the production of high-end automotive and cosmetic grade pearlescent pigment products.

This project is a major project in Guangxi and a "Double Hundred and Double New (雙百雙新)" project, and it is also a green production base built using the world's most advanced technology and the highest environmental standards. The Phase 2 Production Plant has adopted advanced production equipment and has established an advanced production management platform data centre to integrate business information, physical information and management control information, realising intensive, process-oriented, standardised and intelligent management. Completion and commissioning of the project has further enhanced the competitiveness of the Group and paved a solid foundation for the future market share expansion of the Group.

After the completion of the acquisition of CQV, which is expected to be second quarter of 2023, the Group will have a more stringent research and development capabilitiy, increase its international market share, enrich its product applications, as well as enhance its competitive edge over its competitors.

The Group has issued the convertible bonds in the amount of CNH300 million, the proceeds of which will be used for investment opportunities in the pearlescent pigment industry. The use of the net proceeds from the issuance of the convertible bonds is set forth in the paragraphs under "Use of the net proceeds from the issue of the Tranche A Convertible Bond" of this annual report.

FINANCIAL REVIEW

The following sets forth the management discussion and analysis of the performance of the Group during the FY2022. Comparisons have also been made to the performance of the Group during the FY2021. Please refer to note 2 to the consolidated financial statements on the bases upon which the results of the Group are prepared for the FY2022 and the FY2021.

REVENUE

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

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

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

	Year ended 31 December			
	2022		2021	
	RMB' 000	%	RMB' 000	%
Pearlescent pigment products				
– Natural mica-based	**412,954**	**45.0**	347,936	51.9
– Synthetic mica-based	**378,814**	**41.3**	271,766	40.6
– Glass flakes-based	**51,720**	**5.7**	44,987	6.7
– Silicon oxide-based	**7,211**	**0.8**	3,018	0.5
	850,699	**92.8**	667,707	99.7
Functional mica filler [(1)]	**64,351**	**7.0**	2,020	0.3
New energy material [(2)]	**1,770**	**0.2**	—	—
Total	**916,820**	**100.0**	669,727	100.0

Notes:

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

(2) The Group had developed a number of synthetic mica-based new energy battery insulation and flame retardant materials. The high temperature resistance parameter reaches 1,150°C and a high voltage breakdown resistance parameter reaches 20KV/mm.

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

FINANCIAL REVIEW

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

	Year ended 31 December			
	2022 RMB' 000	2022 %	2021 RMB' 000	2021 %
Trading company customers				
– Pearlescent pigment products	698,412	76.2	551,408	82.3
– Functional mica filler	57,670	6.3	244	—*
– New energy material	—	—	—	—
	756,082	82.5	551,652	82.3
End user customers				
– Pearlescent pigment products	152,287	16.6	116,299	17.4
– Functional mica filler	6,681	0.7	1,776	0.3
– New energy material	1,770	0.2	—	—
	160,738	17.5	118,075	17.7
Total	916,820	100.0	669,727	100.0

* *Value insignificant*

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

	Year ended 31 December			
	2022 RMB' 000	2022 %	2021 RMB' 000	2021 %
The PRC	896,477	97.8	641,657	95.8
Asia (1)	6,921	0.7	10,446	1.6
Europe (2)	6,455	0.7	8,914	1.3
Africa (3)	6,967	0.8	8,403	1.3
South America (4)	—	—	307	— *
Total	916,820	100.0	669,727	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, Singapore 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 RMB850.7 million in the FY2022 from RMB667.7 million in the FY2021, representing an increase of RMB183.0 million or 27.4%. Sales of natural mica-based pearlescent pigment products increased by RMB65.0 million, or 18.7%, as compared to the same period in the FY2021. The Group expanded its sales product mix of natural mica-based pearlescent pigment products from 498 in the FY2021 to 544 in the FY2022. Sales of synthetic mica-based pearlescent pigment products increased by RMB107.0 million, or 39.4%, as compared to the same period in the FY2021. The Group expanded its sales product mix of synthetic mica-based pearlescent pigment products from 311 in the FY2021 to 362 in the FY2022. Sales of glass flake-based pearlescent pigment products increased by RMB6.7 million, or 15.0%, as compared to the same period in the FY2021. The Group expanded its sales product mix of glass flake-based pearlescent pigment products from 36 in the FY2021 to 49 in the FY2022. Sales of silicon oxide-based pearlescent pigment products increased by RMB4.2 million, or 138.9%, as compared to the same period in the FY2021. The Group expanded its sales product mix of silicon oxide-based pearlescent pigment products from 18 in the FY2021 to 21 in the FY2022.

Sales of functional mica filler

The sales of functional mica filler increased to RMB64.4 million in the FY2022 from RMB2.0 million in the FY2021, representing an increase of RMB62.4 million or 3,085.7%. 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 RMB1.7 million in the FY2022 (FY2021: Nil).

COST OF GOODS SOLD

The cost of goods sold increased by 38.1% from RMB329.7 million in the FY2021 to RMB455.2 million in the FY2022. The increase in cost of goods sold was mainly due to the increase in the sales volume of pearlescent pigment products by 7.7% from 16,680 tonnes in the FY2021 to 17,958 tonnes in the FY2022 and the increase in the sales volume of functional mica filler by 4,130.0% from 50 tonnes in the FY2021 to 2,115 tonnes in the FY2022.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit increased to RMB455.3 million in the FY2022 from RMB334.6 million in the FY2021, representing an increase of 36.1%. 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 FY2022 was 49.7%, as compared to 50.0% in the FY2021. The difference in the gross profit margin in the FY2022 and the FY2021 was insignificant.

OTHER INCOME AND OTHER GAINS AND LOSSES

The amount of other income and other gains and losses in the FY2022 was RMB18.3 million, as compared to RMB7.2 million in the FY2021. The increase was mainly due to the interest income of RMB11.0 million generated from fixed deposits placed by the Group in the FY2022.

FINANCIAL REVIEW

IMPAIRMENT LOSSES FOR TRADE AND OTHER RECEIVABLES, NET

The amount of impairment losses for trade and other receivables, net in the FY2022 was RMB3.5 million, as compared to RMB2.7 million in the FY2021.

SELLING EXPENSES

The selling expenses increased to RMB56.7 million in the FY2022 from RMB34.4 million in the FY2021, representing an increase of 64.6%. The increase in selling expenses was mainly attributable to an increase in the Group's sales staff cost from RMB7.5 million in the FY2021 to RMB14.2 million in the FY2022, representing an increase of RMB6.7 million; and an increase in marketing and promotion expenses from RMB9.2 million in the FY2021 to RMB16.3 million in the FY2022, representing an increase of RMB7.1 million.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

The administrative and other expenses increased to RMB128.0 million in the FY2022 from RMB102.1 million in the FY2021, representing an increase of 25.4%. The increase was primarily due to the increase in the expenses incurred on research and development activities of RMB23.5 million. In the FY2022, the Group spent RMB71.9 million for its research and development activities, as compared to RMB48.4 million in the FY2021.

FINANCE COSTS

The finance costs decreased to RMB11.0 million in the FY2022 from RMB11.4 million in the FY2021, representing a slightly decrease of 3.5%. Such decrease was primarily due to the decrease in interest payments as a result of the repayment of bank loans and other borrowings of RMB1.8 million in the FY2022.

INCOME TAX EXPENSE

The income tax expense increased to RMB38.0 million in the FY2022 from RMB22.0 million in the FY2021. The increase was primarily due to the increase in the profit before tax in the FY2022.

PROFIT FOR THE YEAR

As a result of the foregoing, the profit for the FY2022 amounted to RMB236.5 million, representing an increase of 39.9%, as compared with RMB169.1 million in the FY2021. Net profit margin for the FY2022 and the FY2021 was 25.8% and 25.3% 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 "**Listing Date**"). 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 FY2022:

Prescribed usage	Allocation of the net proceeds from the Global Offering HK$' million	Percentage to the total net proceeds %	Remaining balance as of 31 December 2021 HK$' million	Amount utilised up to 31 December 2022 HK$' million	Remaining balance as of 31 December 2022 HK$' million	Expected timeline for the intended use
Construction of the Phase 2 Production Plant	539.5	55.6	539.5	197.8	341.7	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	65.2	21.0[2]	44.2	By end of 2023
Sales and marketing activities and building sales network	31.0	3.2	28.5	10.3	18.2	By end of 2023
Total	970.2	100.0	964.0	229.1	734.9	

Notes:

(1) The net proceeds from the Global Offering that would be used for the construction of a synthetic mica plant in Luzhai (the "**Luzhai Synthetic Mica Plant**") amounted to HK$330.8 million. During the FY2022, however, the Group did not use any of such amount for the purpose primarily due to certain structures built on the land by a corporation could not be relocated as scheduled. The relocation arrangement was completed in December 2022 and the construction has been resumed. 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 FY2022 would be used in 2023 for the same purpose. There are no other changes in the completion time and the use of the net proceeds for the construction of the Luzhai Synthetic Mica Plant as originally planned.

FINANCIAL REVIEW

(2) The net proceeds from the Global Offering that would be used for the investment in research and development facilities and testing equipment of the research and development centre amounted to HK$68.9 million. During the FY2022, the Group is still in the process of identifying the facilities and testing equipment required for the Research and Development Centre as a result of utilising the facilities and testing equipment of the Chesir Pearlescent New Material Research and Development Centre. 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 FY2022 would be used in by the end of 2023 for the same purpose. There are no other changes in the use of the net proceeds as originally planned.

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

USE OF THE NET PROCEEDS FROM THE ISSUE OF THE TRANCHE A CONVERTIBLE BOND

On 28 December 2022, the Company entered into the subscription agreement with Hong Kong Boyue International Investment Fund Co., Limited (the "**Subscriber**"), pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe and pay for, the 3.50% coupon convertible bonds (the "**Convertible Bonds**") in the aggregate principal amount up to CHN500.0 million. The Convertible Bonds have an initial conversion price of HK$7.6 per Share and are convertible into Shares. On 30 December 2022, the Company completed the issue of the Tranche A Convertible Bond in the principal amount of CHN300.0 million to the Subscriber. The amount of the net proceeds received by the Company from the issue of the Tranche A Convertible Bond amounted to CHN300.0 million which has received in 30 December 2022. Further details of which are disclosed in the announcements of the Company dated 28 December 2022 and 30 December 2022, respectively.

The table below sets forth the intended use of the net proceeds from the issue of the Tranche A Convertible Bond and the actual utilisation amount for the FY2022:

Prescribed usage	Allocation of the net proceeds from the issue of the Tranche A Convertible Bond CNH' million	Percentage to the total net proceeds %	Amount utilised up to 31 December 2022 CNH' million	Remaining balance as of 31 December 2022 CNH' million	Expected timeline for the intended use
Investment opportunities within the pearlescent pigments and synthetic mica industry	300.0	100.0	0	300.0	By end of 2023

As of the date of this annual report, the unutilised balance of the net proceeds from the issue of the Tranche A Convertible Bond are deposited in a licensed bank in the PRC.

BUSINESS OUTLOOK

Despite the uncertainty caused by the COVID-19 pandemic and the international geopolitical conflicts in 2022, the Chinese government has relaxed the restrictions and the nation-wide quarantine measures on the COVID-19 pandemic for the purpose of bringing the society back to the normal developments. The Group will follow the national development strategy, maintain strategic stability and insist on seeking progress in the midst of stability and challenges. 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:

GROWTH IN THE PEARLESCENT PIGMENT INDUSTRY

The Directors expect that the penetration of the pearlescent pigment products in various industrial applications will increase. According to a research report made by Frost & Sullivan, the global automotive pearlescent pigment market will reach RMB4.5 billion by the end of 2025, representing a compound annual growth rate of 47.1%, while the global cosmetics pearlescent pigment market will reach RMB8.7 billion, representing a compound annual growth rate of 32.8%. The Directors are optimistic about the long-term prospects of the industry.

DEVELOPMENT OF NEW SALES CHANNELS

The Group will actively expand its combined offline and online marketing activities to promote the newly launched and other pearlescent pigment products. The Group actively organises or participates in new product launches, exhibitions and technical exchange sessions. In addition, the Group has established a marketing centre in Shanghai and set up an online marketing team to carry out online marketing and brand promotion through short video platforms, such as Tiktok (抖音) and Weixin (微信視頻號).

INCREASE INVESTMENT IN RESEARCH AND DEVELOPMENT

In line with the production and market positioning of the Phase 2 Production Plant, the research and development department of the Group has focused on the development of automotive weathering grade, cosmetic grade and functional pearlescent pigment products. In addition, the Group has also made significant achievements in the research and development of synthetic mica-based new energy material products. The Company and the University of Zhejiang will continue to strengthen the cooperations in industry, academia and research and will continue to enhance the capability of independent innovation, in order to achieve the goal of "building a world-class joint research and development platform for new materials and intelligent manufacturing".

BUSINESS OUTLOOK

NEW PRODUCTION CAPACITY OF THE PHASE 2 PRODUCTION PLANT

To further increase the Group's production capacity, the Group will continue to complete the construction of the Phase 2 Production Plant and the Luzhai Synthetic Mica Plant[1] as scheduled. The first stage of the Phase 2 Production Plant has been completed and has commenced the trial productions, which is expected to increase annual production capacity by 6,000 tonnes. The Group will also adjust its sales strategy in accordance with the increase in production capacity to ensure the smooth sale of the products produced.

CAPTURE NEW BUSINESS OPPORTUNITIES

The Group will make full use of the capital market platform to implement the strategic initiative of "Endogenous Development and Outward Expansion" (內源式發展與外延式擴張) to accelerate the Group's various strategic plans and to be engaged in merger and acquisition transactions in a timely manner in order to accelerate the business expansion of the Group. The Group has issued the convertible bonds in the amount of CNH300 million, the proceeds from which will be used for the investment opportunities within the pearlescent materials and synthetic mica industry. In addition, on 27 January 2023, the Group entered into the share purchase agreements to purchase shares in CQV. Details of the acquisition are set forth in the paragraphs under "Subsequent Event" of this annual report. The acquisition is expected to complete in the second quarter of 2023, which provides a good opportunity for the Group to tap on opportunities in and expand its business presence in the international pearlescent pigment industry. The Group can leverage on the experience, technology and market presence of CQV to increase its market share, enhance its product offerings and thereby increase the overall competitiveness of the Group. The Group will continue to seek overseas investment opportunities by engaging in merger and acquisition activities that offer growth potential and enhance shareholder value.

1 The production plant 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.

DIRECTORS' REPORT

In addition to the business and financial information set forth in this annual report, the following sets forth certain information of the Group and its business and other operational aspects for the purpose of complying with the disclosure requirements under The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the applicable laws and regulations:

DIRECTORS

The Directors of the Company during the FY2022 and up to the date of this annual report were:

Executive Directors

Mr. SU Ertian *(Chairman and Chief Executive Officer)*
Mr. ZHENG Shizhan *(Resigned on 20 July 2022)*
Mr. JIN Zengqin
Mr. ZHOU Fangchao *(Joint company secretary)*
Mr. BAI Zhihuan *(Appointed on 27 August 2022)*
Ms. ZENG Zhu *(Appointed on 24 June 2022)*

Non-executive Directors

Mr. QIN Min *(Resigned on 25 April 2022)*
Mr. HU Yongxiang

Independent non-executive Directors

Mr. MAK Hing Keung, Thomas *(Resigned on 5 September 2022)*
Mr. HUI Chi Fung *(Appointed on 5 September 2022)*
Professor HAN Gaorong
Mr. LEUNG Kwai Wah Alex

The updated biographical information on the Directors as of the date of this annual report is set forth in the paragraphs under "Biographical Information on Directors and Senior Management" of this annual report.

In accordance with article 83(3) of the articles of association (the "**Articles**") of the Company, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Mr. BAI Zhihuan and Mr. HUI Chi Fung shall hold office only until the forthcoming annual general meeting (the "**Annual General Meeting**") to be held on Tuesday, 27 June 2023 and shall then be eligible for re-election at the forthcoming Annual General Meeting.

In accordance with article 84 of the Articles, Mr. ZHOU Fangchao, Mr. HU Yongxiang and Professor HAN Gaorong shall retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, and its subsidiaries are principally engaged in the business of production and sales of pearlescent pigments products and functional mica filler and related products.

RESULTS AND APPROPRIATIONS

The results of the Group for the FY2022 are set forth under the "Consolidated Statement of Profit or Loss" in this annual report.

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 Board has decided not to declare and pay any final dividend for the FY2022 (FY2021: 3.5 HK cents for each Share).

BUSINESS REVIEW AND PROSPECTS

Discussions and review on the business activities of the Group as required by Schedule 5 to the Companies Ordinance, including material events that have occurred since the year-end date and an indication of likely future development in the Group's business are set forth in the paragraphs under "Chairman's Statement", "Business Review", "Financial Review" and "Business Outlook" in this annual report. The relevant discussions form part of this Directors' Report.

SUBSIDIARIES

Further information on the Company's principal subsidiaries is set forth in note 19 to the consolidated financial statements in this annual report.

FINANCIAL SUMMARY

A summary of the operating results and of the assets and liabilities of the Group for the last five years is set forth in the paragraphs under "Five-Year Financial Summary" in this annual report.

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 of 31 December 2022 and 2021, the restricted bank balances and the bank and cash balances amounted to RMB1,882.7 million and RMB1,605.5 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 2022 was mainly due to the increase in the cash generated from operating activities and the issue of the Tranche A Convertible Bond.

As of 31 December 2022 and 2021, the borrowings amounted to RMB203.3 million and RMB157.9 million, respectively. The increase in the borrowings was attributable to the new bank loans and other borrowings of RMB177.2 million, offset by the repayment of bank loans and other borrowings of RMB135.2 million in 2022.

As of 31 December 2022, the Group had liability component of the convertible bond of RMB294.2 million (31 December 2021: Nil).

Borrowings

Further information on the borrowings of the Group is set forth in note 27 to the consolidated financial statements in this annual report.

Gearing ratio

The gearing ratio (calculated as total liabilities divided by total equity) of the Group was 24.1% as of 31 December 2022 (31 December 2021: 11.2%). The increase in the gearing ratio was mainly due to the increase in total liabilities as a result of the issue of the Tranche A Convertible Bond.

DIRECTORS' REPORT

Net asset value

As of 31 December 2022 and 2021, the net assets of the Group amounted to RMB2,543.3 million and RMB2,342.7 million, respectively. Net asset value per Share contributed to owners of the Company as of 31 December 2022 amounted to RMB1.98, as compared to RMB1.82 as of 31 December 2021.

Contingent liabilities

As of 31 December 2022, the Group did not have any significant contingent liabilities.

Pledge of assets

As of 31 December 2022, certain property, plant and equipment, and right-of-use assets with aggregate net book value of RMB139.7 million, as compared to RMB112.0 million as of 31 December 2021, were pledged to financial institutions as collaterals for bank borrowings.

CAPITAL STRUCTURE

During the FY2022, there has been no material change in the capital structure of the Company. The capital of the members of the Group comprises ordinary shares.

Information about the share options of the Company and details of changes in the share options granted by the Company for the FY2022 is set forth in the paragraph under "Share Option Scheme" below.

As of 31 December 2022, the Company had issued the Tranche A Convertible Bond in the aggregate principal amount of CNH300.0 million. The Tranche A Convertible Bond has an initial conversion price of HK$7.6 per Share and are convertible into the maximum of 43,815,789 Shares. The table below sets forth the summary of the convertible bonds for the FY2022. Further details of the convertible bonds are set forth in note 28 to the consolidated financial statements in this annual report.

Date of issue	Principal amount as of 1 January 2022 CNH	Maturity date	Conversion price per share HK$	Amount converted into Shares during the FY2022 CNH	Amount redeemed during the FY2022 CNH	Outstanding principal amount as of 31 December 2022 CNH	Number of shares to be issued upon full conversion as of 31 December 2022
30 December 2022	—	fourth anniversary of the date of issue	7.6	—	—	300,000,000.0	— (Note)

Note:

The Company made an application to the Listing Committee (as defined in the Listing Rules) for the listing of, and permission to deal in, 73,026,316 Shares, which may be issued and allotted upon the conversion of the aggregate principal amount up to CNH500.0 million of the Convertible Bonds at the initial conversion price of HK$7.6 per Share, on 30 December 2022. Such approval has been granted by the Listing Committee in January 2023.

As of 31 December 2022, no conversion into shares had occurred for the Tranche A Convertible Bond. If the conversion rights attaching to the Tranche A Convertible Bond were fully exercised in accordance with relevant conditions, the Company would have issued 43,815,789 Shares, representing approximately 3.68% of the total issued Shares as of 31 December 2022 and 3.55% of the total issued Shares as enlarged by the issue of such conversion shares.

The table below sets forth the dilution impact of the full conversion of the Tranche A Convertible Bond on the shareholding of the Shareholders (having referred to the Company's shareholding structure as of 31 December 2022 and assuming no further Shares would be issued by the Company):

Name of Shareholders	As of 31 December 2022		Immediately following the full conversion of the Tranche A Convertible Bond	
	No. of Shares	% of the issued Shares	No. of Shares	% of the issued Shares
Directors				
– Mr. SU Ertian *(Note 1)*	428,071,948	35.92%	428,071,948	34.65%
– Mr. BAI Zhihuan *(Note 2)*	694,000	0.06%	694,000	0.05%
– Mr. HU Yongxiang *(Note 3)*	19,285,200	1.62%	19,285,200	1.56%
Substantial Shareholder				
– Guangxi Investment Group Co., Ltd. *(Note 4)*	179,523,344	15.06%	179,523,344	14.53%
Public Shareholders	564,189,094	47.34%	564,189,094	45.66%
The holder of the Tranche A Convertible Bond	—	—	43,815,789	3.55%
Total	1,191,763,586	100%	1,235,579,375	100%

Notes:

(1) Mr. SU is the Chairman and the Chief Executive Officer of the Group and an executive Director. As of 31 December 2022, Mr. SU is deemed to be interested in 428,071,948 Shares through certain corporations. Mr. JIN Zengqin, an executive Director, is deemed to be interested in 52,976,148 Shares through two corporations controlled by Mr. SU and him as of 31 December 2022.

(2) Mr. BAI Zhihuan is an executive Director. As of 31 December 2022, Mr. BAI Zhihuan owns 694,000 Shares.

(3) Mr. HU Yongxiang is a non-executive Director. As of 31 December 2022, Mr. HU Yongxiang is deemed to be interested in 19,285,200 Shares through a corporation.

(4) As of 31 December 2022, Guangxi Investment Group Co., Ltd. is deemed to be interested in 179,523,344 Shares through certain corporations.

DIRECTORS' REPORT

RESERVES

Further information on the movements in the reserves of the Group and of the Company for the FY2022 is set forth in Consolidated Statement of Changes in Equity and note 26 to the consolidated financial statements in this annual report, respectively.

PROPERTY, PLANT AND EQUIPMENT

Further information on the movements in property, plant and equipment of the Group for the FY2022 is set forth in note 17 to the consolidated financial statements in this annual report.

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 2022 and 2021, the capital commitments amounted to RMB441.9 million and RMB635.0 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 INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in the paragraphs under "Use of the Net Proceeds from the Global Offering" and "Use of the Net Proceed from the issue of the Tranche A Convertible Bond" in this annual report, the Group did not have any significant investment, material acquisition or disposal during the FY2022.

MAJOR CUSTOMERS AND SUPPLIERS

The Group maintains effective communications with its customers and strives to satisfy customers' requirements from time to time, in order to provide high quality products to its customers.

The Group establishes good relationships with reputable suppliers within the industries and conducts a fair appraisal of its suppliers on a regular basis.

The percentage of purchases attributable to the five largest suppliers of the Group in aggregate during the FY2022 was 45.9% of the total purchases of the Group and the largest supplier included therein amounted to 14.5%.

None of the Directors, their close associates or any Shareholders, which to the knowledge of the Directors owned more than 5% of the Company's total number of issued shares, had a beneficial interest in any of the Group's five largest suppliers.

The percentage of revenue attributable to the five largest customers of the Group in aggregate during the FY2022 was 11.6% of the total revenue of the Group and the largest customer included therein amounted to 2.5%.

None of the Directors, their close associates or any Shareholders, which to the knowledge of the Directors owned more than 5% of the Company's total number of issued shares, had a beneficial interest in any of the Group's five largest customers.

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 581 employees in Mainland China and five employees in Hong Kong as of 31 December 2022* (31 December 2021: 501 and two, 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.

* 2 of the employees are employed in both Mainland China and Hong Kong

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") of the Company was approved and conditionally adopted pursuant to the resolutions passed by the Shareholders on 2 June 2021 for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. During the FY2022, no share options of the Company have been granted, exercised, cancelled or lapsed under the Share Option Scheme.

The number of share options available for grant under the Share Option Scheme was 116,269,558 share options as of 1 January 2022 and 31 December 2022.

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

1	Purpose	As incentive or rewards to eligible participants for their contribution or potential contribution to the Group.
2	Participants	(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group (the "**Executive**"), any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group (the "**Employee**"); (b) a director or proposed director (including an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and (g) an associate of any of the persons referred to in paragraphs (a) to (c) above.
3	Total number of securities available for issue under the Share Option Scheme together with the percentage of the issued shares that it represents as of the date of this annual report	A maximum of 116,269,558 shares to be allotted and issued, representing 9.76% of the issued shares of the Company as at the date of this annual report.

4	Maximum entitlement of each participant	1% of the Shares in issue from time to time.
5	Period within which the securities must be taken up under an option	28 days from the offer date, provided that no such grant of an option may be accepted after the expiry of the effective period of the Share Option Scheme.
6	Minimum period, if any, for which an option must be held before it can be exercised	To be determined at time of offering the grant of an option.
7	Amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid	HK$1.0 on acceptance.
8	Basis of determining the exercise price	At the discretion of the Board at the time of grant of the option but the subscription price shall not be less than whichever the highest of: (a) the nominal value of a Share; (b) the closing price of a Share in the Stock Exchange's daily quotation sheet on the date of grant; and (c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days (as defined in the Listing Rules) immediately preceding the date of grant.
9	The remaining life of the Share Option Scheme	10 years from the date on which it becomes unconditional

DIRECTORS' REPORT

CONNECTED TRANSACTION

On 28 December 2022, Guangxi Hongzun Investment Group Co., Ltd. ("**Hongzun Investment**"), one of the controlling shareholders of the Company, and Guangxi Chesir Pearl Material Co., Ltd., a non-wholly owned subsidiary of the Company, have conditionally and irrevocably guaranteed on a joint and several basis the due payments of all sums expressed to be payable by the Company under the convertible bonds. As Hongzun Investment is one of the controlling shareholders of the Company and Mr. SU Ertian, the Chairman and the Chief Executive Officer of the Group and an executive Director, is the chairman of Hongzun Investment, the provision of the guarantee by Hongzun Investment will constitute a connected transaction in the form of financial assistance in favour of the Company. However, as the provision of the guarantee by Hongzun Investment is not secured by any assets of the Group, and as the Directors consider that the provision of the guarantee by Hongzun Investment is on normal commercial terms or better, the provision of guarantee by Hongzun Investment is fully exempt from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

Saved as disclosed above, during the FY2022, the Group has not entered into any connected transaction. The Company confirmed that it has complied with the disclosure requirement of a connected transaction in accordance with Chapter 14A of the Listing Rules.

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 FY2022.

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 annual report, 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.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

DONATIONS

Donations by the Group for charitable during the FY2022 amounted to RMB100,000.

SUBSEQUENT EVENT

Acquisition of CQV Shares and CQV Treasury Shares

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

The aggregate consideration for the Acquisition is KRW85.9 billion (equivalent to RMB465.7 million or HK$531.6 million) which will be settled upon the closing of the Acquisition by way of (a) cash payment of KRW25.0 billion (equivalent to RMB135.5 million or HK$154.8 million) and (b) allotment and issue of 47,106,546 new shares (the "**Consideration Shares**") of the Company at the issue price of HK$8.0 for each Consideration Share under the general mandate granted to the Directors by the Shareholders' resolution on 24 June 2022.

Upon the closing of the Acquisition, the Company will hold directly and indirectly 42.45% of the issued shares of CQV and will be the single largest shareholder of CQV. CQV will then become a non-wholly owned subsidiary of the Company with the financial performance and position to be consolidated into the accounts of the Group by reason of the Company having gained control over CQV and the composition of the board of directors of CQV.

Further details of the Acquisition are disclosed in the announcement of the Company dated 27 January 2023.

Saved as disclosed above, there was no significant event affecting the Group which occurred after 31 December 2022 and up to the date of this annual report.

DIRECTORS' REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

The business of the Group is subject to various risks and uncertainties, and they are set forth in details in the Prospectus. Such risks include the following:

– The sales are dependent on the PRC and global economy, and any significant economic downturn in the PRC and global economy could adversely affect our business, financial condition, results of operations and prospects.

– The levels of demand and supply of pearlescent pigment products and synthetic mica powder are not entirely within the Group's control and are generally affected by the paint, chemical and cosmetics industries, the overall macroeconomic factors in the pearlescent pigment and synthetic mica powder industries and the production capacity of other manufacturers.

– The business and financial conditions of the Group depend on our ability to effectively manage our inventories and the turnover rate of our inventories is susceptible to the overall demand of customers and changes in consumer choice and preference which are beyond our control.

After the outbreak of coronavirus disease 2019 ("**COVID-19 outbreak**") in 2022, a series of precautionary and control measures have been implemented across different countries. In early 2023, the China Government have signaled the gradual loosening of COVID-19 restrictions country-wide and the relaxation of quarantine requirement was broadly adopted. The Group will pay close attention to evaluate its impact on the financial position and operating results of the Group. Save as disclosed in the paragraphs under "Chairman's Statement", "Business Review", "Financial Review" and "Business Outlook" of this annual report, the Group is not aware that the COVID-19 outbreak has caused any material adverse impact on the business operation and financial position of the Group during the FY2022.

In addition, the Group is exposed to a variety of financial risks due to its business operation and activities, including and without limitation, foreign currency risk, credit risk, liquidity risk and interest rate risk. Further information on the Group's exposure to foreign exchange risk and other financial risks is set forth in the paragraphs under "Foreign Exchange Exposure" above and note 6 to the consolidated financial statements in this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the FY2022, and up to date of this annual report, the Board was not aware of any non-compliance with the applicable laws and regulations, including the Articles, the laws of the Cayman Islands, the Listing Rules, other laws and regulations, which have a significant impact on the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group supports sustainable development by conducting its business in an environmentally responsible manner. Discussions on the Group's environmental policies and performance during the FY2022 are set forth in the paragraphs under "Environmental, Social and Governance Report" in this annual report. These discussions form part of this Directors' Report.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from the independent non-executive Directors the confirmations of their independence pursuant to Rule 3.13 of the Listing Rules. On this basis, all the independent non-executive Directors are considered to be independent for the purpose of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has entered or has proposed to enter into any service agreements with the Company or any other member of the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Further information on the five highest paid individuals in the Group and the Directors' emoluments is set forth in notes 13 and 14 to the consolidated financial statements in this annual report. The emolument policy of the employees of the Group is set up by the senior management of the Group on the basis of their merit, qualifications and competence. The emoluments of the Directors and senior management of the Company are decided by the remuneration committee of the Company, having regard to the Company's operating results, individual performance and prevailing market conditions.

DIRECTORS' INTERESTS IN CONTRACTS, TRANSACTIONS AND ARRANGEMENTS

Save as disclosed above in the paragraphs under "Connected Transaction" above, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his or her connected entity has or had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the FY2022.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Group were entered into or existed during the FY2022.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed below in the paragraphs under "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company", at no time during the FY2022 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As of 31 December 2022, the interests and short positions of the Directors and chief executives of the Company or any of their associates in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) to be recorded into the register kept by the Company pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 of the Listing Rules, were as follows:

Name of Directors	Nature of interest and capacity	Number of the Shares or underlying Shares held	Approximate percentage of shareholding
Mr. SU Ertian ("**Mr. SU**")	Interest in controlled corporation(1)	301,155,800	25.27%
	Interest in controlled corporation(2)	45,337,828	3.80%
	Interest in controlled corporation(3)	27,234,172	2.29%
	Interest in controlled corporation(4)	1,368,000	0.11%
	Interest in controlled corporation(5)	25,987,200	2.18%
	Interest in controlled corporation(6)	26,988,948	2.27%
Mr. JIN Zengqin ("**Mr. JIN**")	Interest in controlled corporation(5)	25,987,200	2.18%
	Interest in controlled corporation(6)	26,988,948	2.27%
Mr. BAI Zhihuan	Beneficial owner	694,000	0.06%
Mr. HU Yongxiang ("**Mr. HU**")	Interest in controlled corporation(7)	19,285,200	1.62%

Notes:

(1) Guangxi Hongzun Investment Group Co., Ltd. ("**Hongzun Investment**") is owned as to 99.0% and 1.0% by Mr. SU and Ms. WANG Huan, the spouse of Mr. SU, respectively. Therefore, Mr. SU is deemed to be interested in all the Shares held by Hongzun Investment for the purpose of the SFO. Mr. SU is the chairman of Hongzun Investment.

(2) Ertian International Investment Limited ("**Ertian International**") is wholly-owned by Mr. SU. Therefore, Mr. SU is deemed to be interested in all the Shares held by Ertian International for the purpose of the SFO. Mr. SU is the sole director of Ertian International.

(3) Seven Color Pearl Investment Limited ("**Seven Color Pearl Investment**") is wholly-owned by Mr. SU. Therefore, Mr. SU is deemed to be interested in all the Shares held by Seven Color Pearl Investment for the purpose of the SFO. Mr. SU is the sole director of Seven Color Pearl Investment.

(4) The general partner of Liuzhou Lianrun Enterprise Management Partnership Enterprise (Limited Partnership) ("**Liuzhou Lianrun LP**") is Mr. SU who owns 11,000 shares of Liuzhou Lianrun LP. The original 24 individual equity holders of Guangxi Chesir Pearl Material Co., Ltd. ("**Chesir Pearl**"), who are limited partners and independent third parties, own 217,000 shares of Liuzhou Lianrun LP. Therefore, Mr. SU is deemed to be interested in all the Shares held by Liuzhou Lianrun LP for the purpose of the SFO. For the avoidance of doubt, there is no individual limited partner contributed more than one-third of the capital contribution of Liuzhou Lianrun LP.

(5) The general partner of Liuzhou Qise Enterprise Management Partnership Enterprise (Limited Partnership) ("**Liuzhou Qise LP**") is Mr. SU who owns 10,000 shares of Liuzhou Qise LP. Mr. JIN, being one of the limited partners, owns 1,565,200 shares of Liuzhou Qise LP and the original 17 individual equity holders of Chesir Pearl, who are limited partners and independent third parties, own 2,756,000 shares of Liuzhou Qise LP. Therefore, Mr. SU and Mr. JIN are deemed to be interested in all the Shares held by Liuzhou Qise LP for the purpose of the SFO. For the avoidance of doubt, there is no individual limited partner (except Mr. JIN) contributed more than one-third of the capital contribution of Liuzhou Qise LP.

(6) The general partner of Liuzhou Colorful Enterprise Management Partnership Enterprise (Limited Partnership) ("**Liuzhou Colorful LP**") is Mr. SU who owns 10,000 shares of Liuzhou Colorful LP. Mr. JIN, being one of the limited partners, owns 1,500,000 shares of Liuzhou Colorful LP and the original 18 individual equity holders of Chesir Pearl, who are limited partners and independent third parties, own 2,988,158 shares of Liuzhou Colorful LP. Therefore, Mr. SU and Mr. JIN are deemed to be interested in all the Shares held by of Liuzhou Colorful LP for the purpose of the SFO. For the avoidance of doubt, there is no individual limited partner (except Mr. JIN) contributed more than one-third of the capital contribution of Liuzhou Colorful LP.

(7) Mr. HU is the sole director of China Banyan Capital INT Holdings Limited who owns 50 shares of China Banyan Capital INT Holdings Limited. The original 12 individual equity holders of Chesir Pearl, who are independent third parties, hold 49,950 shares of China Banyan Capital INT Holdings Limited. Therefore, Mr. HU is deemed to be interested in the Shares held by China Banyan Capital INT Holdings Limited.

Save as disclosed above, as of 31 December 2022, none of the Directors or the chief executives of the Company and any of their associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which was required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be recorded into the register kept by the Company pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of 31 December 2022, the persons or corporations (not being a Director or chief executive of the Company) who had an interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name of shareholders	Nature of interest and capacity	Number of the Shares or underlying Shares held	Approximate percentage of shareholding
Hongzun Int Investment Group Ltd. ("**Hongzun International**")	Beneficial owner	301,155,800	25.27%
Hongzun Investment	Interest in controlled corporation(1)	301,155,800	25.27%
Ms. WANG Huan ("**Ms. WANG**")	Spouse interest(2)	428,071,948	35.92%
Guangxi Guidong Electric Power Co., Ltd. ("**Guidong Electric**")	Beneficial owner(3)	108,000,000	9.06%
Guangxi Zhengrun Development Group Co., Ltd.	Interest in controlled corporation(3)	108,000,000	9.06%
Guangxi Investment Group Co., Ltd.	Interest in controlled corporation(3)(4)	179,523,344	15.06%
GX Land & Sea Connectivity Holding Ltd ("**GX Land & Sea**")	Beneficial owner(4)	71,523,344	6.00%
Guangxi Land & Sea Connectivity Fund (Limited Partnership)	Interest in controlled corporation(4)	71,523,344	6.00%
Guangtou Capital Management Group Co., Ltd.	Interest in controlled corporation(4)	71,523,344	6.00%
China Development Bank Capital Co., Ltd.	Interest in controlled corporation(4)	71,523,344	6.00%
Guangxi Luhai New Channel Equity Investment Management Center (Limited Partnership)	Interest in controlled corporation(4)	71,523,344	6.00%
Yououbi Investment Management (Shanghai) Co., Ltd.	Interest in controlled corporation(4)	71,523,344	6.00%
Guangxi Luhai New Channel Equity Investment Management Co., Ltd.	Interest in controlled corporation(4)	71,523,344	6.00%
Guangxi Financial Investment Group Co., Ltd.	Interest in controlled corporation(4)	71,523,344	6.00%
China Development Bank.	Interest in controlled corporation(4)	71,523,344	6.00%
Central Huijin Investment Ltd.	Interest in controlled corporation(4)	71,523,344	6.00%

Notes:

(1) Hongzun International is wholly-owned by Hongzun Investment. Therefore, Hongzun Investment is deemed to be interested in all the Shares held by Hongzun International for the purpose of the SFO. Mr. SU is the sole director of Hongzun International.

(2) Ms. WANG was deemed to be interested in in all the Shares held by her spouse, Mr. SU.

(3) Guidong Electric is a listed company on the Shanghai Stock Exchange (stock code: 600310) and is owned as to 33.91% by Guangxi Zhengrun Development Group Co., Ltd. (which in turn is owned by Guangxi Investment Group Co., Ltd. as to 85.0%) as of 31 December 2022. Therefore, Guangxi Zhengrun Development Group Co., Ltd and Guangxi Investment Group Co., Ltd are deemed to be interested in all the Shares held by Guidong Electric. Guangxi Investment Group Co., Ltd. is wholly-owned by the PRC Government.

(4) GX Land & Sea is wholly-owned by Guangxi Land & Sea Connectivity Fund (Limited Partnership), which is a limited partnership established in the PRC. Guangxi Land & Sea Connectivity Fund (Limited Partnership) is owned as to 49.5% by Guangtou Capital Management Group Co., Ltd. and 49.5% by China Development Bank Capital Co., Ltd. and its general partner is Guangxi Luhai New Channel Equity Investment Management Center (Limited Partnership). Guangxi Luhai New Channel Equity Investment Management Center (Limited Partnership) is owned as to 39.6% by Yououbi Investment Management (Shanghai) Co., Ltd. and its general partner is Guangxi Luhai New Channel Equity Investment Management Co., Ltd., which in turn is owned as to 35.0% by China Development Bank Capital Co., Ltd. and 35.0% by Guangtou Capital Management Group Co., Ltd. Guangtou Capital Management Group Co., Ltd. is owned as to 90.0% by Guangxi Financial Investment Group Co., Ltd. and 10.0% by Guangxi Investment Group Co., Ltd. Guangxi Financial Investment Group Co., Ltd is owned as to 71.4% by Guangxi Investment Group Co., Ltd. Guangxi Investment Group Co., Ltd is wholly-owned by the PRC government. China Development Bank Capital Co., Ltd. is wholly-owned by China Development Bank, which is owned as to 36.5% by the Ministry of Finance of the PRC and 34.7% by Central Huijin Investment Ltd. Central Huijin Investment Ltd. is wholly-owned by China Investment Co., Ltd., which in turn is wholly-owned by the PRC government. Therefore, Guangxi Land & Sea Connectivity Fund (Limited Partnership), Guangtou Capital Management Group Co., Ltd., China Development Bank Capital Co., Ltd., Guangxi Luhai New Channel Equity Investment Management Center (Limited Partnership), Yououbi Investment Management (Shanghai) Co., Ltd., Guangxi Luhai New Channel Equity Investment Management Co., Ltd., Guangxi Investment Group Co., Ltd., Guangxi Financial Investment Group Co., Ltd., China Development Bank, Central Huijin Investment Ltd. and China Investment Co., Ltd. are deemed to be interested in all the Shares held by GX Land & Sea.

Save as disclosed above, as of 31 December 2022, the Directors were not aware of any other person or corporation having an interests or short positions in the Shares and underlying Shares as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PERMITTED INDEMNITY PROVISION

The Articles provide that every Director or other officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has maintained appropriate Directors' and officers' liability insurance in respect of relevant legal actions against the Directors and officers.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors is interest in any business apart from the Company's business that competes or is likely to compete, either directly or indirectly, with the Company's business.

Deed of Non-Competition

Each of the Controlling Shareholders and the executive Director has entered into the Deed of Non-competition (the "**Deed of Non-Competition**") on 2 June 2021 in favour of the Company. Detailed information on the Deed of Non-Competition is set forth in the section headed "Relationship with our Controlling Shareholders - Deed of Non-Competition" in the Prospectus.

Each of the Controlling Shareholders has made an annual confirmation to the Company that during the FY2022, all the Controlling Shareholders (as defined in the Prospectus) have duly complied with the undertaking provisions under the Deed of Non-Competition. The Controlling Shareholders have also provided the independent non-executive Directors with information on their business activities for review.

DIRECTORS' REPORT

The independent non-executive Directors have reviewed the confirmations and information provided by the Controlling Shareholders and are satisfied that the undertaking provisions under the Deed of Non-Competition were fully complied with and enforced during the FY2022.

The Company is not aware of any other matters regarding the compliance and enforcement of the Deed of Non-Competition.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to rule 13.51B(1) of the Listing Rules, the change in information of the Directors subsequent to the date of the 2022 interim report of the Company are as follows:

– Mr. BAI Zhihuan appointed as the executive Director with effect from 27 August 2022.

– Mr. MAK Hing Keung, Thomas resigned as an independent non-executive Director, chairman of the Audit Committee and member of the Nomination Committee with effect from 5 September 2022.

– Mr. HUI Chi Fung appointed as an independent non-executive Director, chairman of the Audit Committee and member of the Nomination Committee with effect from 5 September 2022.

AUDITOR

There has been no change of the auditor of the Company since the Listing Date. A resolution will be submitted to the forthcoming Annual General Meeting to re-appoint Messrs. RSM Hong Kong as the auditor of the Company.

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 2022.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting will be held on Tuesday, 27 June 2023. The register of members of the Company will be closed from Wednesday, 21 June 2023 to Tuesday, 27 June 2023, 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 Tuesday, 20 June 2023.

On behalf of the Board
SU Ertian
Chairman and Chief Executive Officer

Hong Kong, 27 March 2023

CORPORATE GOVERNANCE REPORT

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the FY2022.

CORPORATE GOVERNANCE CULTURE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

– satisfactory and sustainable returns to Shareholders;
– that the interests of those who deal with the Company are safeguarded;
– that overall business risk is understood and managed appropriately;
– the delivery of high-quality products and services to the satisfaction of customers; and
– that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Part 2 of Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

In the opinion of the Directors, throughout the FY2022, the Company has complied with the applicable code provisions as set out in the CG Code, except for code provision C.2.1 which is explained in the relevant paragraphs of this Corporate Governance Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out 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 that they have complied with the Model Code throughout the FY2022.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsibility for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Board Composition

The Board currently comprises the following Directors:

Executive Directors:

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

Non-executive Directors:

Mr. HU Yongxiang

Independent non-executive Directors:

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

The biographical information of the Directors is set forth in the section headed "Biographical Information on Directors and Senior Management" in this annual report. To the best knowledge of the Company, there is no relationship (including financial, business, family or other material/relevant relationship(s)) among the members of the Board.

Board Meetings

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

The attendance records of the Directors at the Board meetings held during the FY2022 are set forth in the paragraph under "Attendance Records of Directors and Committee Members" below.

Chairman and Chief Executive Officer

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 Ertian, the chairman of the Board and the chief executive officer of the Company, currently performs these two roles.

Mr. SU has been responsible for formulating overall business development strategies and leading overall operations of the Group and has been instrumental to business growth of the Group. The Board therefore considers that vesting the roles of both chairman and chief executive officer in Mr. SU is beneficial to business development of the Group by ensuring consistent leadership and enabling more effective and efficient overall strategic planning. The senior management team and the Board will provide check and balance of power and authority.

The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Independent non-executive Directors

During the FY2022, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing one-third of the Board) with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set forth in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Board Independence Evaluation

The Company has established a Board Independence Evaluation Mechanism during the year which sets forth the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

CORPORATE GOVERNANCE REPORT

During the FY2022, all Directors have completed the independence evaluation in the form of a questionnaire individually. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

During the FY2022, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

All the Directors are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Articles also provides that all Directors appointed to fill a casual vacancy shall hold office until the first general meeting after appointment. The retiring Directors shall be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the FY2022, the Company organized training sessions for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including compliance manual, legal and regulatory updates, seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors during the FY2022 are summarized as follows:

Directors	Type of Training *(Note)*
Executive Directors	
Mr. SU Ertian	A/B
Mr. JIN Zengqin	A/B
Mr. ZHOU Fangchao	A/B
Mr. BAI Zhihuan	A/B
Ms. ZENG Zhu	A/B
Non-executive Directors	
Mr. HU Yongxiang	A/B
Independent non-executive Directors	
Mr. HUI Chi Fung	A/B
Professor HAN Gaorong	A/B
Mr. LEUNG Kwai Wah Alex	A/B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops
B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set forth under "Corporate Information" in this annual report.

Audit Committee

The Audit Committee consists of 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 terms of reference of the Audit Committee are of no less exacting terms than those set forth in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held two meetings to review, in respect of the FY2022, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditor and engagement of non-audit services and relevant scope of works and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without the presence of the Executive Directors.

The attendance records of the Audit Committee are set forth in the paragraph under "Attendance Records of Directors and Committee Members" below.

Remuneration Committee

The Remuneration Committee consists of three members, namely Mr. LEUNG Kwai Wah Alex, Professor HAN Gaorong and Mr. ZHOU Fangchao. Mr. LEUNG Kwai Wah Alex is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set forth in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

The Remuneration Committee met twice during the FY2022 to consider the relevant matters regarding the remuneration policy and the remuneration packages of the executive Directors and senior management.

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of executive Directors are also determined with reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each executive Director. The remuneration for the executive Directors comprises basic salary, pensions and discretionary bonus. Executive Directors shall receive options to be granted under the Company's share option scheme. The remuneration policy for non-executive Director and independent non-executive Directors is to ensure that non-executive Director and independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the non-executive Director and independent non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities by the Board. Individual Directors and senior management have not been involved in deciding their own remuneration.

The Remuneration Committee also made recommendations to the Board on the terms of service contracts or letter of appointment of the new executive Directors and independent non-executive Director appointed during the year.

The attendance records of the Remuneration Committee are set forth in the paragraph under "Attendance Records of Directors and Committee Members" below.

Details of the remuneration of the senior management by band are set forth in note 13 to the consolidated financial statements in this annual report.

Nomination Committee

The Nomination Committee consists of three members, namely Mr. SU Ertian, Professor HAN Gaorong and Mr. HUI Chi Fung. Mr. SU Ertian is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set forth in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, reviewing the Board Diversity Policy and the Director Nomination Policy and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee met three times during the FY2022 to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the retiring Directors standing for re-election at the Annual General Meeting, to review the Board Diversity Policy and Director Nomination Policy and to consider and recommend to the Board on the appointment of executive Directors and independent non-executive Director. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

The attendance records of the Nomination Committee are set forth in the paragraph under "Attendance Records of Directors and Committee Members" below.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

- At least one member of the Board shall be female.
- At least 10% of the members of the Board shall be non-executive Directors.
- At least one-third of the members of the Board shall be independent non-executive Directors.

An analysis of the Board's current composition based on the measurable objectives is set out below:

Gender
Male: 8
Female: 1

Age Group
31-40: 3
41-50: 0
51-60: 3
61-70: 3

Designation
Executive Directors: 5
Non-executive Directors: 1
Independent Non-executive Directors: 3

Educational Background
Business Administration: 3
Account and Finance: 2
Other: 4

Nationality
Chinese: 9

Business Experience
Accounting & Finance: 2
Experience related to the Company's business: 7

The Nomination Committee and the Board are of the view that the current composition of the Board has achieved the objectives set in the Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this Annual Report:

	Female	Male
Board	11%	89%
	(1)	(8)
Senior Management	0%	100%
	(0)	(3)
Other employees	31.12%	68.88%
	(178)	(394)
Overall workforce	30.65%	69.35%
	(179)	(405)

The Board had targeted to have at least one female director and considers that the above current gender diversity is satisfactory.

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report on page 80 of this Annual Report.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and nomination process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The nomination process set out in the Director Nomination Policy is as follows:

Appointment of New Director

(i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.

(ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(v) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Director Nomination Policy sets out the criteria for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, professional experience, skills, knowledge and length of service;
- Requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

During the FY2022, the Nomination Committee recommended to the Board the appointment of two new executive Directors, namely Ms. ZENG Zhu and Mr. BAI Zhihuan and one independent non-executive Director, namely Mr. HUI Chi Fung. The appointment was subject to a stringent nomination process in accordance with the Director Nomination Policy and the Board Diversity Policy, to ensure the Board possesses the necessary skills, experience and knowledge in alignment with the Company's strategy.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the FY2022, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Records of Directors and Board Committee Members

A summary of the attendance records of the Directors at the Board, Board Committee and general meetings held during the FY2022 is set forth below:

	Attendance/Number of Meetings				
Name of Directors	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General Meeting**
Mr. SU Ertian	9/9	–	3/3	–	1/1
Mr. ZHENG Shizhan[1]	6/9	–	–	–	1/1
Mr. JIN Zengqin	9/9	–	–	–	1/1
Mr. ZHOU Fangchao	9/9	–	–	2/2	1/1
Mr. QIN Min[2]	1/9	–	–	–	–
Mr. BAI Zhihuan[3]	2/9	–	–	–	–
Ms. ZENG Zhu[4]	7/9	–	–	–	–
Mr. HU Yongxiang	9/9	–	–	–	1/1
Mr. MAK Hing Keung[5]	7/9	2/2	3/3	–	1/1
Mr. HUI Chi Fung[6]	1/9	0/2	–	–	–
Professor HAN Gaorong	9/9	2/2	3/3	2/2	1/1
Mr. LEUNG Kwai Wah Alex	9/9	2/2	–	2/2	1/1

Notes:

1. *Mr. ZHENG Shizhan resigned as executive Director with effect from 20 July 2022.*
2. *Mr. QIN Min resigned as non-executive Director with effect from 25 April 2022.*
3. *Mr. BAI Zhihuan was appointed as executive Director and Vice President with effect from 27 August 2022.*
4. *Ms. ZENG Zhu was appointed as executive Director with effect from 24 June 2022.*
5. *Mr. MAK Hing Keung, Thomas resigned as independent non-executive Director, the chairman of the Audit Committee and a member of Nomination Committee with effect from 5 September 2022.*
6. *Mr. HUI Chi Fung was appointed as independent non-executive Director, the chairman of the Audit Committee and a member of Nomination Committee with effect from 5 September 2022.*

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of other Directors during the FY2022.

The independent non-executive Directors and non-executive Director have attended general meetings of the Company to gain and develop a balanced understanding of the view of the Shareholders.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company adopted internal control system and risk management system which are designed and implemented to address the specific business needs and operating environment and to minimize the risk exposure of the Group. The Company have adopted different internal guidelines, along with written policies and procedures, to monitor and reduce the risks which are relevant to the control our daily business operations and the improvement in the corporate governance of the Company. The Group's senior management team is responsible for identifying and analysing the risks associated with business operations, preparing risk mitigation plans and assessing and reporting to the Board their effectiveness. The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems

The Company established an internal audit department (the "**Internal Audit Department**") under the supervision of the Audit Committee. The Internal Audit Department is established to overseeing the daily and effective implementation of internal control measures and reporting to our Audit Committee on any compliance issue and the record of compliance in this respect.

Through the Audit Committee and the internal audit team, the Board has conducted an annual review on the effectiveness of risk management and internal control systems of the Group for the FY2022.

Based on the results of the internal control review for the FY2022 and the assessment of the Audit Committee thereon, no significant deficiency in risk management and internal controls systems are noted. The Board therefore is satisfied that appropriate and effective risk management and internal control systems have been maintained for the FY2022.

ANTI-BRIBERY AND CORRUPTION RISK MANAGEMENT

The Company has implemented appropriate policies and procedures to address any potential bribery and corruption issues. All department heads and managers are required to report to the Internal Audit Department any bribery or corruption incidents. The Company has also established a whistle blower policy for reporting any alleged bribery and corruption. The internal anti-bribery and corruption policies and procedures include the following:

(a) requiring the Company's employees to report any bribery and corruption incident when they became aware of such incident;

(b) prohibiting the Company's employees and other engaged working parties from receiving bribes, either financial benefit or benefit-in-kind such as gift;

(c) performing financial and internal audits by the Internal Audit Department and external audit agency on a regular basis to identity any risk of bribery and corruption;

(d) evaluating the anti-bribery and corruption policies by Internal Audit Department to ensure the effectiveness; and

(e) providing training to the Company's employees on how to identify and report misconduct.

In case the Internal Audit Department has identified a material risk of bribery and corruption, it will initiate investigation with the assistance from one of the Company's executive Directors. The investigation results will be reported to the Board (including independent non-executive Directors). The Internal Audit Department is required to keep all information about and related to the investigation, including the fact that an investigation has been filed, the nature of the complaint and the persons involved, in strict confidence. The Company also requires all new employees to go through anti-bribery training as part of their orientation training programmes.

Any staff who is in breach of the Company's anti-bribery and corruption policy would be dismissed, and the Company may report the matter to the relevant governmental authorities should there be a violation of the applicable laws and regulations.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the FY2022 with the support of the accounting and finance team.

The Directors have prepared the financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set forth in the "Independent Auditors' Report" of this annual report.

AUDITORS' REMUNERATION

The remuneration paid and payable to the external auditor of the Company in respect of audit services and non-audit services for the FY2022 is set forth below:

Type of services provided by the Auditor	Amount *(RMB'000)*
Audit services	1,650
Non-audit services	
- Review of interim financial information	580
- Consultancy service of Environmental, Social and Governance Reporting	82
Total	2,312

JOINT COMPANY SECRETARIES

Mr. ZHOU Fangchao, an executive Director and a joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board's policies and procedures, as well as the applicable laws, rules and regulations are followed.

Mr. NG Cheuk Ming tendered his resignation as the other joint company secretary of the Company with effect from 29 April 2022. Following the resignation of Mr. NG Cheuk Ming on the same day, the Company has engaged Ms. CHEUNG Ka Lun Karen, a manager of Tricor Services Limited (a company secretarial service provider), as the joint company secretary to assist Mr. ZHOU to discharge his duties as company secretary of the Company, in order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws. Mr. ZHOU is the primary contact person at the Company which would work and communicate with Ms. CHEUNG on the Company's corporate governance and secretarial and administrative matters.

For the FY2022, Mr. ZHOU and Ms. CHEUNG have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting and putting forward proposals

Pursuant to Article 58 of the Articles, extraordinary general meetings may be convened by the Board whenever it thinks fit. Any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

CORPORATE GOVERNANCE REPORT

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Unit A, 10/F, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong (For the attention of the Board of Directors)
Telephone:	(852) 3797 7882
Email:	zhoufangchao@chesir.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company is endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(a) Corporate Communication

"Corporate Communication" as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form. The Corporate Communication of the Company will be published on the Stock Exchange's website (www.hkex.com.hk) in a timely manner as required by the Listing Rules. Corporate Communication will be provided to Shareholders and non-registered holders of the Company's securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the Listing Rules. Shareholders and non-registered holders of the Company's securities shall have the right to choose the language (either English or Chinese) or means of receipt of the Corporate Communication (in printed form or through electronic means).

(b) Announcements and Other Documents pursuant to the Listing Rules

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Articles) on the Stock Exchange's website in a timely manner in accordance with the Listing Rules.

(c) Corporate Website

Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website (www.chesir.net) under the "Investor Relations" section. Other corporate information about the Company's business developments, goals and strategies, corporate news, marketing events and press release in relation to community services will also be available on the Company's website.

(d) Shareholders' Meetings

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any). The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

CORPORATE GOVERNANCE REPORT

(e) Shareholders' Enquiries

Enquiries about Shareholdings

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar, Tricor Investor Services Limited, via its online holding enquiry service at http://www.tricoris.com, or send email to is-enquiries@hk.tricorglobal.com or call its hotline at (852) 2980 1333, or go in person to its public counter at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Amendments to Constitutional Documents

During the FY2022, the Company has not made any changes to its Articles. An up-to-date version of the Company's Articles is also available on the Company's website and the Stock Exchange's website.

Dividend Policy

The Company has adopted a Dividend Policy on payment of dividends. The Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval. Such details have been disclosed in section headed "Directors' Report" in this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD STATEMENT

Dear Stakeholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Global New Material International Holdings Limited (the "**Company**" which together with its subsidiaries, collectively, the "**Group**"), I am pleased to present the second Environmental, Social and Governance Report (the "**ESG Report**") of the Group for the year ended 31 December 2022 (the "**FY2022**") for the purpose of demonstrating the Group's policies, practices, measures and performance on environmental, social and governance ("**ESG"**) areas.

The Group is committed to implement various initiatives to address the ESG concerns as all of us, as well as our next generation, could be affected by ESG issues and the sustainability issue. As such, as a Hong Kong listed company, the Board evaluates and determines the Group's ESG-related risks and ensures that appropriate and effective ESG risk management and internal control systems are in place.

The ESG Report demonstrates the Group's continuous commitments to strengthen its performance in sustainability, such as environmental performance and targets, corporate governance, community participation, customers' satisfaction and care to the employees of the Group.

The Board is responsible for the implementation of the ESG initiatives and the monitoring of the effectiveness of the ESG strategies, directions and policies of the Group. The Board believes that an effective corporate governance structure is important in order to achieve a successful integration and effective management of sustainability for the business development of the Group. In order to effectively manage and monitor the performance of the Group in the ESG areas, the Board has identified the ESG-related issues and potential risks and the Board would analyse and review on a regular basis the ESG risks and opportunities, performance, progress, goals and the ESG-targets of the Group.

The Board will also ensure the effectiveness of the Group's ESG risk management and internal control system and actively communicate with internal and external stakeholders and to understand their expectations and requirements. The Board believes that the Group's ESG engagement will be highly beneficial to the areas is beneficial to the long-term development the Group. The Board will continue to review and monitor the Group's ESG performance and provide consistent, comparable and reliable ESG information to the stakeholders on an annual basis.

For and on behalf of the Board

SU Ertian,
Chairman and Chief Executive Officer
Global New Material International Holdings Limited

Hong Kong, 27 March 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Reporting Scope

The ESG Report discloses ESG related policies and initiatives for the research and development and production and sales of pearlescent pigment products and synthetic micas in Guangxi Zhuang Autonomous Region, the People's Republic of China ("**PRC**") only. As of 31 December 2022, more than 90% of the total number of the employees of the Group are based in the Group's production facilities and business presence in Guangxi Zhuang Autonomous Region.

The ESG Report covers key performance indicators ("**KPIs**") of the corporate office ("**office**") and the representative project(s) of the Group during the FY2022 ("**project(s)**").

Reporting Basis and Principles

The ESG Report is prepared in accordance with the ESG Reporting Guide (the "**ESG Guide**") as set out in Appendix 27 to the Listing Rules and is based on the four reporting principles - materiality, quantitative, balance and consistency:

- "Materiality" Principle:

  The Group identifies material ESG issues by stakeholder engagement and materiality assessment. Details are set forth in the section headed "Materiality Assessment".

- "Quantitative" Principle:

  Information is presented with quantitative measure, whenever feasible, including information on the standards, methodologies, assumptions used, and provision of comparative data.

- "Balance" Principle:

  The ESG Report identifies the achievements and challenges faced by the Group.

- "Consistency" Principle:

  The ESG Report is the second ESG report of the Group. The ESG Report will continue to use consistent methodologies and environmental performance indicators for comparisons in the following years.

The ESG Report has complied with all "comply or explain" provisions and reported on selected recommended disclosures outlined in the ESG Guide.

The information contained in the ESG Report is derived from internal documents and statistics of the Group, as well as the control, management, and operations information provided by the subsidiaries in accordance with the Group's internal management systems. A complete content index is appended to the last section of this ESG Report for reference. The ESG Report is prepared and published in both Chinese and English at the Stock Exchange's website (www.hkexnews.hk) and the Company's website (http://www.chesir.net/en/). In the event of contradiction or inconsistency between the Chinese version and the English version, the Chinese version shall prevail.

Review and Approval

The Board acknowledges its responsibility for ensuring the accuracy and completeness of the ESG Report and to the best of their knowledge, the ESG Report has addressed all relevant material issues and has fairly presented the ESG performance of the Group for the FY2022. The ESG Report was reviewed and approved by the Board on 30 March 2023. The ESG Report has also been reviewed by the ESG Committee of the Board, and the members of which include Mr. SU Ertian (蘇爾田先生), Mr. JIN Zengqin (金增勤先生), Mr. ZHOU Fangchao (周方超先生) and Mr. BAI Zhihuan (白植煥先生).

Feedback

Should you have any opinion or suggestion on the ESG Report, please feel free to liaise with the Group as follows:

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ABOUT THE GROUP

The Group focuses on the research and development ("**R&D**"), production and sales of pearlescent materials and synthetic mica. Pearlescent materials are widely used in aerospace, military, automotive, ship anti-corrosion, medicine, cosmetics, electronics, food and other fields. Synthetic mica is not only the raw material for the production of pearlescent materials, but also for the production of insulating materials, functional fillers, refractory materials and nickel-metal hydride batteries. The Group is the participating unit of the synthetic mica project, "Strong Industrial Foundation Project (工業強基工程)", organised by the Ministry of Industry and Information Technology in the PRC. The Group has mastered the world's leading and core technology for the production of pearlescent materials and synthetic mica, with 36 core patented technologies and formed a complete range of pearlescent materials and synthetic mica products series. Now the Group has formed a marketing network covering major countries in the world, and its products are exported to over 40 countries and regions around the world.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group's comprehensive strengths rank among the top in the global pearlescent pigment industry. The Group has received numerous awards, including but without limitation, the "National Green Factory" (國家級綠色工廠), "National Intellectual Property Advantageous Enterprise" (國家知識產權優勢企業), "Guangxi Top 100 Private Enterprise In Manufacturing" (廣西民營企業製造業100強), "Guangxi's Most Potential Private Enterprise" (廣西最具潛力民營企業), "Guangxi Gazelle Enterprise" (廣西瞪羚企業), "Guangxi Model Bases Enterprise of Technology and Innovation" (廣西技術創新示範企業), "Gold Award of Guangxi Invention Creation Exhibition and Trade Fair Project" (廣西發明創造成果展覽交易會項目金獎), and the "Guangxi Famous Brand Product Award" (廣西名牌產品).

To build a green and sustainable future, the Group adheres to the principle of the harmonious coexistence with nature. The Group constantly promotes sustainable business operations and development through technological innovations so that the products of the Group, as well as the production process involved, are non-hazardous and safe to our end user customers.

GOVERNANCE STRUCTURE

The Board is committed to fulfil its ESG responsibility and has the overall responsibility to implement and monitor the effectiveness of the Group's ESG strategies and reporting systems. The Group has established the Corporate Governance System Policy (企業管治制度), Environmental Protection Management System Policy (環境保護管理制度), and the Social Responsibility Management System Policy (社會責任管理制度).

The terms of reference of the ESG Committee include the following:

ESG Committee, established by the Board of Directors	• Oversees the ESG strategies, policies, objectives and targets • Allocates ESG Committee to identify material environmental, social and governance matters through review and assessment of internal operations • Develop and review the Group's ESG responsibilities, vision, strategies, frameworks, principles and policies • Enhance the materiality assessment and reporting process to ensure • Implement and enforce the ESG policy approved by the Board on a continuous basis • Review and approve the company's ESG goals, and regularly review the achievement of ESG goals • Review the ESG megatrend and related risks and opportunities, and assess the adequacy and effectiveness of the Group's ESG-related structure and business model • Adopt and update the Group's ESG policies as necessary and ensure that these policies are current and in compliance with applicable laws, regulations and regulatory requirements and international standards.
Senior Management	• Advises and supports the Board on ESG matters, strategies, policies • Overall management and monitoring of ESG performance and targets
Department Heads and Employees	• Take record and monitor ESG KPIs • Implement ESG policies and related initiatives

The ESG Committee reviews and evaluates the Group's ESG performance on a regular basis and the annual ESG Report will then be examined and approved by the Board.

STAKEHOLDER ENGAGEMENT

Stakeholders' opinions are important to the Group's sustainable development and success. Stakeholder engagement helps the Group business strategies which meet the needs and the expectations of the stakeholders, thereby enhance the potential risks, and strengthens the important relationships. The Group actively communicates with its stakeholders through various channels, as set forth below.

Stakeholders	Communication Channel
Government and regulatory agencies	• Annual reports, interim reports, ESG reports and other public information • Supervision and inspection
Shareholders and investors	• Annual general meetings and other general meetings • Company website • Press releases/announcements • Annual reports, interim reports, ESG reports and other public information
Employees	• Training • Meetings • Performance evaluation • Surveys
Customers	• Fax, email and telephone • Meetings
Suppliers/Subcontractors/Business Partners	• Meetings • Site visits • Surveys • Trainings
Community or Non-governmental Organisations (NGOs)	• Sponsorships and Donations • ESG reports
Media	• Enquiry mailbox

MATERIALITY ASSESSMENT

In preparing the ESG Report, the Group directly engaged with the following stakeholders as part of the materiality assessment process to identify and prioritise the issues to be included in the ESG Report which the Board believes would have significant impact on the Group's business and its stakeholders.

Process

Stage 1 - Identification

A selection of ESG issues that may reasonably be considered important for the Group and its stakeholders from various sources, including listing rules requirement, industry trends and internal policies. 28 issues were identified and grouped into 4 categories: Environment, Employment and Labour Practices, Operating Practices and Community.

Stage 2 - Prioritisation

Conducted online surveys to rate the importance of each issue from the perspective of a stakeholder and the Group using a scale of 1 to 5.

Developed the materiality matrix based on the scores of the surveys, set the threshold for materiality (i.e. at a score of average) and prioritised a list of sustainability issues.

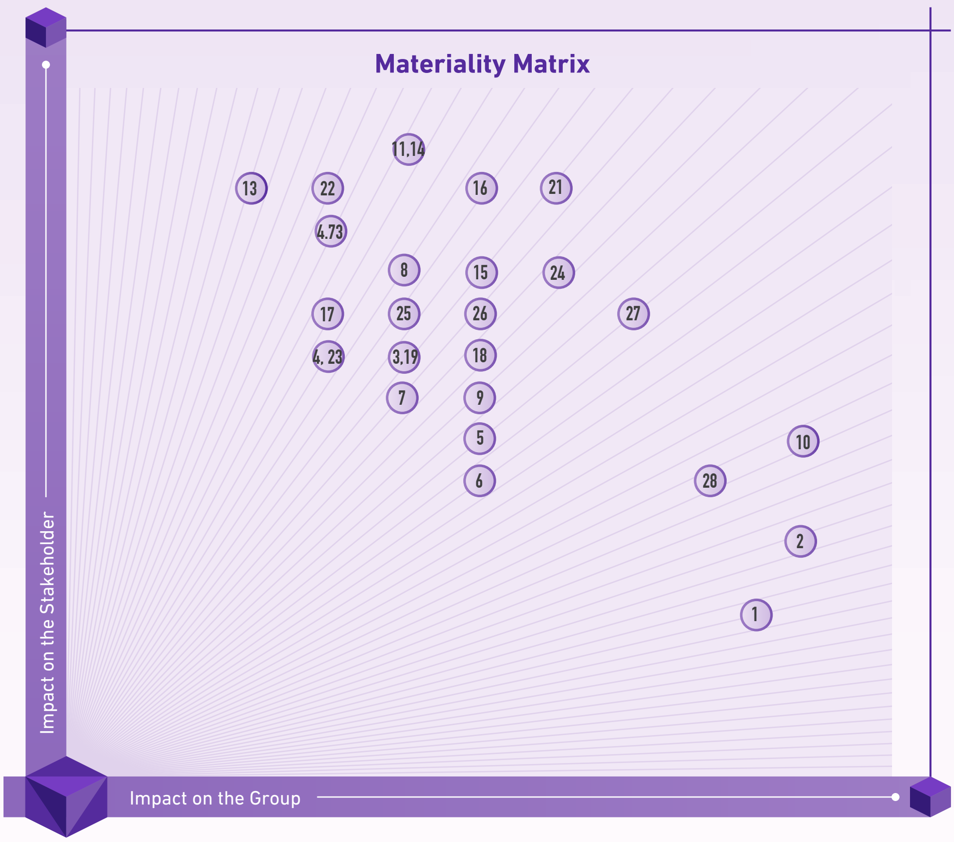
Stage 3 - Validation

Management reviewed the materiality matrix and the threshold for materiality. ESG issues, with a score of average or above from the perspective of a stakeholder and the Group, were prioritised as the most important sustainability issues for the Group to address and report on.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Matrix

Based on the materiality matrix, the Board believes that the most pertinent sustainability issues which are material to both the Group and its stakeholders include the following:



Staff Development And Training	Employment Practices	Greenhouse Gas Emissions	Occupational Health and Safety	Customer Satisfaction
Child Labour and Forced Labour	Climate Change	Safety of Services/Products	Community Investment	Communication and Connection with Local Community

1	Air Emissions	11	Employment Practices	21	Customer Satisfaction
2	Greenhouse Gas ("**GHG**") Emissions	12	Diversity and Equal Opportunities	22	Intellectual Property
3	Effluents Management	13	Anti-discrimination	23	Safety of Services/Products
4	Waste Management	14	Staff Occupational Health and Safety	24	Quality of Services/Products
5	Energy Efficiency	15	Staff Development and Training	25	Business Ethics
6	Water Efficiency	16	Child Labour and Forced Labour	26	Anti-corruption Training for Management and Employees
7	Use of Materials	17	Responsible Supply Chain Management	27	Contributions to the Society
8	Environmental Compliance	18	Environmental Friendliness on Products or Services Purchased	28	Communication and Connection with Local Community
9	Land Use, Pollution and Restoration	19	Compliance with Regulations on Marketing, Product and Service Labelling		
10	Climate Change	20	Customers' Privacy and Confidentiality		

OUR ENVIRONMENT

Sustainability Overview and Management Objectives

The Board believes that the success of the Group is based on the principles of sustainability through providing quality products to the customers, whilst at the same time striving to preserve the surrounding environment and support the communities its social responsibility practices.

The Group has established a set of management policies and adopted various measures on environmental protection and natural resources reservation to help ensure the sustainable development and operation of the business. The Group's environmental management system was also accredited with ISO 14001:2015 certification. The Group actively manages its business in an environmentally and socially responsible manner which is consistent with the policies adopted. The following sections present a summary of these policies and their implementation during the FY2022.

Guangxi Chesir Pearl Material Co., Ltd., which is the principal subsidiary of the Group, was accredited as a "Green Factory" (綠色工廠) by the Ministry of Industry and Information Technology of the PRC (國家工業和信息化部) for its adoption of effective measures to control the disturbance to the surrounding environment and as a recognition for the green development through technological innovation, so that the products of the Group are non-hazardous and environmental-friendly and are safety and are beneficial to maintain sustainable development.

In addition, the Group promotes energy savings and carbon reduction and is committed to achieving sustainable business operations. To this end, the Group has set clear yearly and long-term emission reduction targets; for long-term reduction targets, compared with the 2021 baseline, the Group has to achieve the following targets by 2027:

- To further optimize product structure and resources consumption structure, air emission intensity of unit product will reduce by about 10%; hazardous and non-hazardous waste disposal of unit product will reduce by about 20%; and water consumption intensity of unit product will reduce by about 30%, so as to reduce the impacts of pollutants and discharge on the environment and climate.

GROUP POLICIES RELATING TO ENVIRONMENTAL PROTECTION

As the major production and operations of the Group are based in the PRC, its business operations are subject to the PRC environmental laws and regulations. To comply with the relevant environmental laws and regulations and minimise the impact to the environment, as well as to report on the environmental and social aspects of the Group's business operations, the Group has established the ESG Committee to identify the relevant environmental risks and opportunities and set clear environmental targets. The Group has also developed a series of environmental management programs and policies for the purpose of identifying the key aspects of the Group's operations (the "**Key Aspects**") which may have significant impacts on the environment in light of applicable laws and regulations.

- Pollution Prevention and Control Management System (污染防治管理制度)
- Environmental Protection Management System (環境保護管理制度)
- Waste Emission Reduction Management System (廢棄物減排管理制度)
- Company Greenhouse Gas Emissions Management Guide (公司溫室氣體排放管理規定)
- Greenhouse Gas Emissions Management Policy (溫室氣體排放管理政策)
- Chesir Energy Management System (七色珠光能源管理制度)
- Energy Management Target Indicators (能源管理目標指標)
- Special Contingency Plan for Environmental Emergencies (突發環境事故專項應急預案)
- Contingency Plan for Environmental Pollution Emergencies (突發環境污染事故應急預案)
- Contingency Plan for Environmental Emergencies (突發環境事件應急預案)

As required by the ESG Committee, representatives from each department within the Group will meet regularly to review its key processes and identify possible Key Aspects underlying the operation of the concerning departments. The Group's Safety and Environmental Department (安全環境部) is responsible to establish and manage the Group's Environmental Protection Management Network (環保管理網絡). They will then discuss with the ESG Committee members and senior management regarding any Key Aspects identified, and design appropriate measures aimed at reducing the environmental impacts arising from such Key Aspects. These measures will be documented, and the relevant personnel will be provided with suitable training and regular supervision and reporting to the senior management from time to time to ensure effective implementation of the measures. The Safety and Environmental Department is also responsible for educating and providing training to the staff to enhance their knowledge and skills regarding environmental protection.

EMISSIONS AND WASTE GENERATION

Air Emissions

The principal types of emission and waste generated from the Group's business operations are set forth below and the Group considers that the emission and waste would not have any significant adverse impact on the environment.

Emission data of Nitrogen oxides (NO_x), Sulphur oxides (SO_x), and Particulate matter (PM) are set forth in the table below:

Air Pollutant[1]	Unit	2022	2021
Nitrogen oxides ("NO_x")	kg	**4,190.94^**	4,082.26^
Sulphur oxides ("SO_x")	kg	**Insignificant**	Insignificant
Particulate matter ("PM")	kg	**0.17**	0.25

Note:

^ NOx emission is mainly from the emissions of the vehicles.

The Group will continue to improve our internal data collection mechanism for a complete disclosure in the coming years.

1 Only covers the emissions from boilers and vehicles' petrol consumption, and the estimation is based on "Technical Guidelines for Compiling the Air Pollutant Inventory of Road Mobile Vehicles (Trial)" (「道路機動車大氣污染物排放清單編製技術指南(試行)」) issued by Ministry of Environmental Protection of the PRC.

Waste Generation

- **Domestic waste: Paper, household wastes, food wastes from the Group's production facility and offices operation business, and other incidental wastes**

The Group's production facilities and business presence, it generates non-hazardous domestic wastes and non-hazardous sludge. The non-hazardous sludge is generated from production processes and general refuse such as paper, plastic bags, and plastic bottles are generated from offices operations. Sludge is generated from wastewater treatment tank sedimentation, and will be collected by the contractor and reused to manufacture bricks. Household wastes from guests and food wastes from the staff canteen are also generated from our production facilities and business presence in Guangxi Zhuang Autonomous Region. The food waste from the staff canteen will be collected and reused, and the leftovers will be used to feed the poultry.

Wastes generated from the Group's production facilities and business presence are as follows:

Wastes	Handling Method	Unit	2022	2021
Hazardous wastes		tonnes	N/A	N/A
	Recycled	tonnes	N/A	N/A
	Landfill	tonnes	N/A	N/A
Non-hazardous wastes*		tonnes	7,205	6,917
Domestic wastes	Landfill	tonnes	N/A	N/A
Intensity		tonnes per square meter floor area	0.128	0.123
Total		tonnes	7,205	6,917
Wastewater	Discharged	m^3	685,187	674,981

Note:

* Non-hazardous wastes are mainly from the sludge.

During the FY2022, the Group was not aware of any significant amount of hazardous wastes generated in our production facility and offices. Looking ahead, the Group will continue to refine its wastes reduction measures and disclose relevant results where appropriate. The Group will perform sample testing regularly to ensure the parameters outlined by the wastewater discharge license are fulfilled before discharged to the municipal wastewater treatment plant for further treatment. We will also seek continuous improvement in waste and wastewater management performance by setting appropriate goals and objectives in the future and conduct further assessment on a regular basis.

The Executive Department of the Group is responsible for the handling and treatment of the office and domestic wastes (including used batteries, toner cartridges, ink cartridges, fluorescent tubes and, general refuse). Domestic wastes discharged by our production facilities and offices in ordinary means are in compliance with the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), the requirements of "Pollutant Control Standards for Domestic Waste Landfills" (《生活垃圾填埋場污染物控制標準》) and "Pollutant Control Standard for Domestic Waste Incineration" (《生活垃圾焚燒污染物控制標準》).

The Group's waste management strategy focuses on legal disposal, reduction, and reuse of wastes. All waste disposals and processing must be carried out by government-certified service providers pursuant to PRC laws and regulations. Recyclable wastes are collected according to classifications and are delivered to a recycling vendor in the Guangxi District where appropriate.

- **Greenhouse gas (GHG) emissions which include carbon dioxide (CO_2), methane (CH_4), and nitrous oxide (N_2O)**

  These greenhouse gases are emitted from the use of electricity and fuels derived from fossil fuels within the production facility in Guangxi, and only part of our production process is required to involve the operation of the boiler within the production facility. Since the catering facility of the Group in Guangxi is currently using Liquefied Natural Gas (LNG) and electricity for cooking purposes, it will not generate significant smokes and fumes. Greenhouse gases are also derived from vehicles of guests who visit our production facility and offices and the delivery of our products to customers. The Group also owns two motor vehicles that are used for transportation of personnel and other business purposes. To minimise the mobile source emission, all two motor vehicles have achieved the national emission standard in "National Phase V" (國五) Liquefied Petroleum Gas (LPG) minibuses. The Group has adopted the use of electrical carts for transportation within the production facility to reduce the direct emission of GHG. Therefore, emissions of GHG from vehicles in Scope 1 are not considered material.

Greenhouse Gas (GHG) Emissions

In response to the community's increasing concern on GHG emissions, climate changes, and other related issues, the Group is committed to implementing and maintaining a high standard of GHG management. The below table sets forth the key statistics relating to GHG emissions[2] of the Group. The GHG emissions[3] are as follows:

	Unit	2022	2021
Scope 1[4]	tonnes CO_2-equivalent	**24.97**	19.24
Scope 2[5]	tonnes CO_2-equivalent	**80,716.33**	69,631.53
Total	tonnes CO_2-equivalent	**80,741.30**	69,650.78
Intensity	tonnes CO_2-equivalent per floor area (m^2)[6]	**1.43**	1.23

2 GHG emission data is presented in carbon dioxide equivalent and the calculation of GHG emissions during the FY2022 was estimated based on the amount of electricity and fuels consumed and the relevant emission factors.

3 The calculation of greenhouse gas emissions refers to the "General Guideline of the Greenhouse Gas Emissions Accounting Method and Reporting of Other Industrial Enterprises (《工業其他行業企業溫室氣體排放核算方法與報告指南》)"issued by the National Development and Reform Commission and the "Emission Reduction Project of China Regional Grid Baseline Emission Factor (《中國區域電網基準線排放因數》)" issued by the Department of Climate Change, the Ministry of Ecology and Environment of the People's Republic of China.

4 Scope 1: Direct emission from the business operations owned or controlled by the Group, such as emissions from petrol consumption of vehicles and boilers.

5 Scope 2: The "indirect energy" emissions from the internal purchased electricity consumption by the Group.

6 Only covers the Group's production facilities and business in Guangxi Zhuang Autonomous Region.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Scope 1 emission from fossil fuel consumption in our operations only accounted for 0.03% of our total emissions, including diesel and petrol consumption for our generators and mobile vehicles and the emission from boiler. The Group will continue to assess, record, and disclose its GHG emissions annually and will continue to refine the data collection system and develop reduction strategies if appropriate based on the projection of data in the coming years.

In addition to the direct emissions from the combustion of fuels, the use of electricity from the electricity generation process by the Group is also indirectly attributable to the production of GHG. With reference the kilowatt-hour power generation to carbon dioxide emission ratio respectively published by the PRC government, during the FY2022, approximately 80,000 tonnes of carbon dioxide were attributable to the Group's electricity usage in the operation of the Guangxi production facility and office.

- **Measures undertaken to reduce emissions and wastes**

  To minimise the environmental impacts brought by the mentioned emissions and wastes, the Group has adopted the following measures during the FY2022 to supplement its "Pollution Prevention and Control Management System" (污染防治管理制度), "Environmental Protection Management System" (環境保護管理制度) and other related policies:

  o Setting yearly emission limitation targets for pollutants (such as NOx from boiler emission; water consumption, COD, Ammonium-nitrogen and Total Phosphorus in domestic wastewater discharge; noise nuisance from Equipment; and sludge treatment in "Hazardous and Non-hazardous Waste Emission Reduction Management Systems" (有害及無害廢棄物減排管理制度);

  o Utilising electric vehicles within the production facility in the future as opposed to fossil fuel-powered vehicles to reduce emissions from sources;

  o Developing a better understanding of the Group's suppliers and taking into account their environmental and social responsibility practices in the recruitment process. Please refer to the sub-section headed "Social Responsibility Operational Practices – Supply Chain Management" below for further details; and

  o Periodically arranging environmental compliance inspections to ensure the Group's compliance with the applicable PRC environmental laws relating to the Group's operations.

  For policies and measures undertaken by the Group to reduce the use of electricity, please refer to the paragraph headed "Resources consumption — Electricity" below.

ENVIRONMENTAL COMPLIANCE

After the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法》) came into effect on 1 January 2018, the Group is subject to the obligation to pay environmental pollution tax for pollutants directly discharged to the environment, such as air pollutants and water pollutants. During the FY2022, the Group has complied with the following laws and regulations:

- Environmental Protection Law of the PRC (《中華人民共和國環境保護法》);
- Energy Conservation Law of the PRC (《中華人民共和國節約能源法》);
- Circular Economy Promotion Law of the PRC (《中華人民共和國可循環經濟促進法》):
- Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》);
- Ambient Air Quality Standards of the PRC (《中華人民共和國環境空氣質量標準》);
- Boiler Air Pollutant Emission Standards of the PRC (《中華人民共和國鍋爐大氣污染物排放標準》);
- Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》);
- Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》);
- the Prevention and Control of Noise Pollution Law of the PRC (《中華人民共和國噪聲污染防治法》);
- Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (《城鎮污水處理廠污染物排放標準》);
- Water Law of the PRC (《中華人民共和國水法》);
- Mineral Resources Law of the PRC (《中華人民共和國礦產資源法》); and
- Other relevant environmental laws and regulations in all material respects.

During the FY2022, the Group was not aware of any significant non-compliance issues regarding emission, noise, waste disposal, and sewage discharge. We believe that the emissions, disposed wastes, and discharged sewage during our business operation does not pose material impact to the surrounding environment which is different from local domestic emissions, waste disposals, or sewage discharges. To avoid any occurrences of non-compliance in the future, we will continue to uphold our environmental awareness.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL IMPACTS FROM OUR OPERATIONS AND MITIGATION MEASURES

The generation of air pollutants, GHG, noise emissions and sewage discharge from the operation of our production facilities in Guangxi complies with the requirements under the relevant PRC laws and regulations. In order to minimise the environmental impact of the Group's business operation to the surrounding environment, the Group has established the "Pollution Prevention and Control Management System" (污染防治管理制度) and "Environmental Protection Management System" (環境保護管理制度). The Group has also established yearly emission limitation targets for specific pollutants in "Hazardous and Non-hazardous Waste Emission Reduction Management Systems" (有害及無害廢棄物減排管理制度).

List of Hazardous and Non-hazardous Waste Emission Reduction Management Systems in FY2022 is set forth below:

Types of Pollution Prevention and Control Measures	Pollution source	Pollutants	2022 Targets	Compliance
Air Pollution	*Boiler exhaust gas*	Exhaust gas volume	**4,000 Mm^3/a**	✓
		NO_x	**4.4t/a**	✓
Water	*Production and domestic wastewater*	Wastewater Consumption	**720,000m^3/a**	✓
		CODcr	**9.72t/a**	✓
		Ammonium-Nitrogen	**2.21t/a**	✓
		Oil & Grease	**0.58t/a**	✓
		Total Phosphorus	**0.38t/a**	✓
Noise	*Noise level from Equipment*	LAeq	**A**	✓
Solid Waste	*Wastewater Treatment Sludge*		**7,430t/a**	✓

During the FY2022, to the best of the Directors' knowledge, the Group has achieved all yearly emission limitation targets and no complaint has been received from its customers or other parties in respect of environmental protection issues. In addition, the Group has not experienced any material environmental incidents arising from its business operations. During the FY2022, no material administrative sanctions or penalties were imposed upon the Group for the violation of environmental laws or regulations which had an adverse impact on its operations.

Nature Resources

The Group recognises the importance of efficient resources consumption and continuously aims at streamlining its operations to develop an energy-efficient culture. "Chesir Energy Management System" (七色珠光能源管理制度) is established according to the national energy work policies and energy management standards, to save energy, reduce material consumption, eliminate waste, further improve energy utilization efficiency, and utilise resources safely and reasonably while taking into consideration of the actual needs of production and material consumption of the Group. The principal types of resources utilised by the Group in the operation and management of production facility and offices during the FY2022, and the measures undertaken by the Group to promote efficient usage are discussed below:

Water Consumption and Efficiency

Freshwater is an important resource on earth. The Group's office utilised an insignificant amount of water resources as compared to domestic water usage. During the FY2022, the aggregate volume of production water and domestic water consumed within the Group's facility and office amounted to approximately 3,200 thousand tonnes.

	Unit	2022	2021
Water	Thousand tonnes	**3,209.49**	2,759.78
Total	Thousand tonnes	**3,209.49**	2,759.78
Intensity	Thousand tonnes per square meter floor area[2]	**0.057**	0.049

In order to ensure efficient and sustainable use of water resources, the Group has closely monitored the usage of water resources. The Group has also adopted internal guidelines and provides staff education to promote water conservation, as well as routinely inspects and upkeeps water supply facilities.

Energy Efficiency

Electricity is necessary for the offices' operation and production facilities and is the main source of energy of the Group. The Group has adopted an internal policy during the FY2022 to promote conservative energy uses. Under the policy, the usage of electricity in our production facility is continuously monitored and there are clear guidelines on the operating hours and energy-saving measures in respect of electrical appliances such as office equipment, lighting, and air conditioning facilities in the public area. To monitor the usage of electricity effectively, data on electricity usage is collected and analysed in the monthly meeting in respect of electricity usage.

The Group's energy utilisation data during the FY2022 is as follows:

	Unit	2022	2021
Direct energy consumption	MWh	**82.87**	64.85
Indirect energy consumption	MWh	**130,077.46**	113,770.23
Total energy consumption	MWh	**130,160.34**	113,835.08
Intensity	MWh per square meter floor area[2]	**2.31**	2.02

Paper and Packaging Materials

The Group's operation does not involve a high level of paper and packaging materials consumption. The Group mainly adopts paper for offices and general use within the Group. Paper waste is the major source of our non-hazardous waste in the offices.

Papers are also consumed in Group's offices for research and development, design, and clerical work. To facilitate efficient paper usage, the Group has established the following measures:

- Introduced and promoted the concept of "Green Factory" and "Green Office" in the Group.
- The Group has also put in place internal guidelines and systems regarding paper conservation. Under these guidelines, the use of paper by different departments of the Group will be accounted for and monitored, and paper-saving measures such as double-sided printing, using smaller sheets for sundry uses, paperless internal correspondences, etc.

During the FY2022, the raw material purchased by the Group is as follows:

	Unit	2022	2021
Paper consumption	kg	**1,685.0**	1,577.5

Investment in Environmental Management

To develop a better and greener environment, in FY 2022, the Group has planted 305 trees and 1,300 m^2 of lawn in the Phase 2 Industrial Park of the Economic Development Zone in Liuzhou City, Guangxi (i.e. Phase 2 of our new Production Plant). The Group has reserved funds for our environmental management on monitoring and testing, cleaning, and sewage treatment.

In order to cope with the challenges of climate change, improve the ecological environment, and reach the goal of carbon neutrality, the new energy automobile industry is developing rapidly. We should seize new opportunities of industrial development and strengthen scientific and technological R&D. With the joint efforts of associated R&D team in Zhejiang University and the Group's, R&D in battery diaphragm materials and insulating materials now shows periodic achievements. A variety of new energy battery heat insulation flame retardant materials featured with synthetic mica as the base materials were developed. The high temperature resistance parameter of the tested products reaches 1,150℃, and the high voltage resistance breakdown parameter reaches 20KV/mm, indicating that they are of excellent product quality.

On the other hand, in order to integrate renewable energy into the power grid in the production facility area, and to achieve the goal of energy conservation and emission reduction, our rooftop distributed photovoltaic (DPV) project has officially launched in 2022. According to QX/T89-2018 "Solar Energy Resource Assessment Method", the location of the Group's plant is a solar energy resource-rich area, suitable for the construction of photovoltaic power station, and has good development prospects. The project intends to use the roof of the 27,000m^2 plant to install PV distributed power generation modules with a total capacity of approximately 27MWp, which will be connected to the power grid within the plant.

The rooftop distributed photovoltaic project site

Climate Change

Climate change is one of the biggest global challenges faced by society, and we must act now for our climate and our communities. In recent years, extreme weather, such as strong winds and heavy rainfall, as well as tides and floods, have become the focus around the world. Logistics and supply chains are particularly vulnerable. Heavy rainfall, rising tides and floods can cause serious damage to assets such as buildings, warehouses and goods in storage which results in material financial losses. Although such incidents are beyond everyone's control, the Group believes that all stakeholders should work together to address climate change, which will also be regarded as one of the most significant risks to the world in the next five years.

In 2022, the COVID-19 pandemic has presented many new challenges in this year, but it has not deterred our commitment to climate action. The pace of change has expedited around the world, and it has underscored the importance for the Group to accelerate its transition to a low-carbon economy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has further enhanced its ESG disclosure in the FY2022. The Group have made reference to the Task Force on Climate-related Financial Disclosure (TCFD) recommendations to provide transparent and credible climate-related information to stakeholders, including investors and capital providers. The Group's business units have also strengthened the analysis on the specific risks and opportunities to the pearlescent pigment industry resulting from climate change.

The Group understands that climate change may have significant impacts on our operations. To better understand the potential impacts of climate change on our business operation, we have conducted climate scenario analysis for two horizons for 2030 and 2050, under the following pathways:

(1) RCP2.6, SSP1, and IEA Sustainable Development Scenario supplemented by the Net-Zero Emissions by 2050 case

(2) RCP8.5, SSP5, and IEA Stated Policies Scenario

The scenario analysis includes all of the Group's under our operational control. Based on the Group business nature, we have identified the following parameters that are most relevant to our operations.

a) Renewable energy – The proportion of renewable energy used by the Group affects the amount of carbon offset required and GHG emissions.

b) Electric vehicles (EV) – The cost required for replacing existing fleets with EVs and the cost-savings brought by EVs.

c) Sea level rise – Some of our properties may be prone to flooding because of their location and structural design.

d) Extreme weather – The increase in the frequency of extreme weather (e.g. Heavy rainstorm signals and typhoons) may affect the business operations of the Group and the future income.

In the low carbon emission scenario (raise 1.5-2°C), it is assumed that the carbon prices may reach USD63/tonne and USD140/tonne for advanced economies by 2030 and 2050 respectively. The Group will gradually increase the usage of renewable energy and it is expected that EVs will dominate the global car and light truck market by 2060. In the future, most of the private cars owned by the Group will be shifted to EVs, and the Group has already installed new energy electric vehicle charging piles next to the gate of the facilities and the Group will encourage the employees to use new energy electric vehicles for traveling.

In the high emissions scenario (raise >4°C), it is assumed that there will be no carbon tax established, and no carbon credit is required for the pearlescent pigment industry. The higher average sea level and extreme weather will cause more frequent flooding and the Group has assessed the risk of the flooding in relation to the property portfolio. It is also assumed that the frequency of extreme weather will significantly increase.

The Group essentially plans to respond to local government initiatives and follows local governments' emission reduction requirements. The Group aims to reduce emissions by around 3% by 2026 and ensure the Group's GHG emissions will comply with the local requirements on or before 2030. The Group's target is to achieve carbon neutrality by 2060 in the PRC. The Group is committed to continuously improving energy efficiency, applying professional knowledge to improve on-site efficiency, and maintaining efficient management support.

Action on climate change

Action on responding to climate change is embedded in the Group's business strategy and is reflected in the governance and management processes of the Company. The index table below outlines the core elements of the Group's response to the TCFD recommendations in this ESG Report.

Core element	The Group's response
Governance	• Setting up ESG Committee and carrying out regular meeting • Integrating ESG topics (including climate-related issues) in corporate decision making
Strategy	• Understanding climate risks through scenario analysis • Identifying risks and opportunities in the low-carbon transition
Risk Management	• Risk Management Committee to discuss ESG risks • Preparing for the transition to a low-carbon economic • Implementing measures to eliminate physical climate risks
Metrics and Targets	• Investing in transition enablers • Creating value in the low-carbon transition

When developing these scenarios, the Group has identified a series of climate-related risks and opportunities relevant to the assets and services which are significant to the Group's business operation. These transition and physical risks are discussed in the sections below.

	Risks	Opportunities
Short-term (0 – 1 year)	• Physical risks from extreme weather events • Securing the skills and capability required to implement climate strategy	• New services to help communities decarbonize • Technologies to enhance the performance of operation and energy efficiency
Medium-term (5 years)	• Transition risks - Implementation of low-carbon policies for the operation • Transition risks - Supply and demand for certain commodities, products, and services may change as climate-related risks and opportunities are increasingly taken into account.	• Transitioning to low carbon economy market to meet government decarbonisation targets • Opportunities arising from transition enablers

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Risks	Opportunities
Medium to long-term (5+ years)	• Transition risks - Potential new regulations and policies • Transition risks - Development and use of emerging technologies may increase the operational costs, and reduce the Groups' competitiveness • Transition risks – the Group's reputation may be impacted due to changing customer or community perceptions of said the Group's contribution to or detraction from the transition to a lower-carbon economy	• Transitioning to low carbon economy market to meet government decarbonisation targets • Opportunities arising from transition enablers • To work as a pioneer in the industry and build up the relevant reputations

Physical climate risks can potentially damage the Group's assets or directly interrupt the production of pearlescent pigment products. As such, the Group has set up a range of measures in place to enhance its resistance against physical climate risks, including but without limitation, the "Contingency plans and Preparation Instructions for Environmental Emergencies" (突發環境事件應急預案及編製說明) and "Contingency plans for natural disaster incidents" (自然災害事故專項應急預案) for extreme weather or emergency.

Transition risks can potentially increase the Group's operational cost and legal risks due to the change of policy, technological development, digitalization and the Group's reputation due to public perceptions. The Group has already identified the relevant risks and will keep monitoring the market and policy updates regularly. The Group has also planned to invest according to the market needs and take this as an opportunity for long-term development.

Over the years, a series of measures have been adopted to put in place along the Group value chain to help the Company prepare for extreme climate events. These measures are deployed for the different geographies, taking into consideration the type of assets and the location. These are summarised in the table below:

Relevant part of the value chain	Relevant measures
Supply chain Operation	Diversify material and food supply from multiple suppliers, sources, and countries. Monitor and inspect assets regularly - Maintain a Contingency Plan for all facilities To address extreme heat and increased temperature: - Maintain cooling equipment in good conditions - Refurbish cooling towers to improve efficiency in the long term - Review working hours of workers to provide better working environment - Increase drinking fountains for employees and workers To address the risk of water shortage and drought: - To maintain water tank(s) in facilities - Purchase drinking water with sufficient storage To address flooding risks: - Build protection walls for facilities and run-off water storage - Deploy anti-flooding measures suitable for the assets, including drainage systems, flood gates, and flood barriers - Put in place additional coverage with tarps, grass planting, and drainage works to avoid soil erosion - For assets that are downstream of dams, continuous control and monitor river rate flow, and maintain regular communication with the local authority on its flood discharge schedule and flowrate
Retails	Through engagement events, inform customers of the initiatives already undertaken to increase system resilience
Services	- Establish an extreme weather response protocol and coordinating system and conduct regular drills and post-extreme weather incident reviews to ensure smooth execution of contingency plans - Utilise the emergency restoration system, enabling rapid construction of temporary masts that can shorten the restoration of power supply - Enhance the communication capacity of customer services, particularly post-incident customer communication

Path to 2060

The Group is prepared to address the threats climate change poses both to its business and to the communities that it serves. The Group has laid out a transparent trajectory of the performance against the trajectory required to meet a science-based target. The Group is determined to deliver and provide safe, reliable, and affordable pearlescent pigment products for its customers and the Group is fully aware the importance of the environmental responsibility. The Group is ready to raise the targets, wherever possible, to strengthen the environmental protection measures at least every five years. We will also continue to invest in greening projects such as energy conservation and emission reduction, technological transformation and upgrading projects, plantation of trees and lawn shrubs in our Phase 2 Production Plant.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OUR PEOPLE

Group Policies Relating to Corporate Social Responsibility Practices

Employees are the foundation of the Group's success and development. We consider human resources as the most important asset and the Group is committed to ensuring the health, safety, and general welfare of its employees at work. In addition, the Group not only provides various job-related seminars, workshops, and training courses for the employees' continuous professional development, but also adopts a number of social responsibility practices for supporting the community and upholding the Group's business integrity.

Policies

The Human Resources Department is established for the management of employment policies in the Group. The "Employees' Handbook" (員工手冊) and "Human Resources System" (人力資源制度) provide the terms, guidelines, and arrangements on remuneration, dismissal, recruitment, promotion, working hours, rest periods, leaves, labour health and safety, insurance benefits, labour discipline, diversity, equal opportunities, anti-discrimination, other benefits and welfare to the employees of the Group.

Employment Management

Recruitment and Dismissal

Recruitment is required in the event of staff replacements, identification of new positions, or an increase in workload or responsibilities within different departments of the Group.

Recruitment is tailored to different classes of positions to be filled and will be directed to appropriate applicants in order to attract ample candidates. Publicity of recruitment will be carried out through appropriate media for a sufficient period to assure open opportunity for application and consideration.

The dismissal or voluntary termination of employees' contracts shall be enforced by the employment laws and regulations in Hong Kong and the PRC. Either party may terminate the employment by giving a written notification or payment in lieu of notice to the other party as specified in the employment contract according to the requirements of Labour Legislation. During the work transfer and resignation procedures, the parties have the responsibility and obligation to hand over the equipment, files, and materials belonging to the Group under their management to the relevant departments and responsible persons. In order to ensure a smooth transition, the relevant staff is required to complete a "Job Handover Checklist" (工作移交清單). The Group will conduct an exit interview with all monthly paid departing employees prior to their departure for receiving opinion and feedback to the Group.

Promotion

The Group recognises promotion as the shift of an employee from one position to another that requires a higher degree of knowledge, skill, or responsibility and is assigned a higher pay range. We adopt an open-door communication policy and carry out a performance review every half-year with the employees on their performance during the FY2022, during which process each employee is given equal opportunity for promotion. The Group's employees are provided with a clear career path with opportunities for additional responsibilities and promotions.

The Group has standard policies and procedures for promotion as set forth in the "Employee's Handbook". The Group has a regular promotion plan every half-year. After the half-year or full-year appraisals, the Group will evaluate the work performance of its employees. The Group also implements a universal job promotion plan based on the evaluation results of the employees' work performance and job vacancies. In order to retain talents for sustainable development, employees with outstanding performance will be promoted at any time if the position becomes vacant under special considerations.

Equal Opportunity, Diversity, and Anti-discrimination

The Group has set up "Human Resources Diversity Policy" (人力資源多元化政策) and "Anti-discrimination Policy" (反歧視政策) in order to promote equality in the working environment for all employees so that they are treated equally in every aspect of their jobs and work under a discrimination-free working atmosphere. We strictly prohibit discrimination against potential candidates in the recruitment process on the account of their race, colour, religion, sex and gender identity, sexual orientation, age, marital and parental status, and/or pregnancy or medical conditions. All employees are encouraged to report any incidents of discrimination to the Human Resources Department and all cases will be thoroughly investigated and treated with confidentiality.

The Group recognises and embraces the benefits of having a diversified Board and workforce to enhance the quality of its performance. We established the "Human Resources Diversity Policy" (人力資源多元化政策) and believe that the different backgrounds and abilities of the Directors could enhance diversity and achieve effective leadership with multi-perspective ideas during the business decision-making process. The selection of candidates has been considered taking a number of factors into consideration, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

The Group's vision on equality applies to all aspects in employment and is set forth in the "Employees' Handbook" and "Human Resources System" (人力資源制度), including but not limited to recruitment, promotion, transfer, job assignment, rewards and benefits, training and development and suspension.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employment Profile

Workforce As at 31/12/2022[7]	2022 No. of Staff
By Gender	
Male	405 (69.3%)
Female	179 (30.7%)
By Age Group	
Below 30	142 (24.4%)
30 – 50	389 (66.6%)
Over 50	53 (9.0%)
By Employment Type	
Full time	584
Part time	0
By Management Level	
Senior Management	6 (1.03%)
Middle Management	37 (6.33%)
General Staff	541 (92.64%)
By Geographical Region	
Mainland China	581 (99.5%)
Hong Kong, China[7]	5 (0.8%)
Total	**584**

The Group strictly abides by the following laws and regulations, including but not limited to:

- Employment Ordinance (Cap. 57)
- Employees' Compensation Ordinance (Cap. 282)
- Mandatory Provident Fund Schemes Ordinance (Cap. 485)
- Labour Law of the PRC (《中華人民共和國勞動法》)
- Labour Contract Law of the PRC (《中華人民共和國勞動合同法》)
- Minimum Wage Ordinance (Cap. 608)

7 Due to the double counting of two of the employees concurrently working in Mainland China and Hong Kong companies, the percentage of total employees is greater than 100%.

To the best of the Directors' knowledge and belief, the Group is generally in compliance with the local labour law regarding compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, vacation, minimum wage requirements during the FY2022. In addition, the Group has not received any complaints or notifications on contravention of any of the above employment practices.

Employee Retention

Remuneration and Compensation

The Group offers competitive compensation in order to retain talents. The remuneration package of each employee is determined with reference to a number of factors including educational background, job duties, professional skills, technical capabilities and experience, as well as salary level for similar job positions in the pearlescent pigment industry. The Group has also adopted a share option scheme pursuant to which employees of the Group are, based on management's evaluation of their individual performance, eligible to be granted share options as incentives.

To attract and retain talents, the Group also offers a variety of benefits, including free shuttle buses, bonuses, "Social Security and Housing Provident Fund" (社保及住房公積金) in the PRC, statutory pension scheme contributions for the benefit of employees by the relevant legal requirements in Hong Kong and the PRC, including the mandatory provident fund contributions in Hong Kong and social insurance payments in the PRC, injury compensation and insurance and overtime allowance. The Group would regularly review the employees' compensation and benefits packages to reward and recognise those with outstanding performance. Incentives in the form of bonuses and share options may also be offered to eligible employees based on individual performance.

Rest Period and Working Hours

The Group provides reasonable working hours and rest periods to employees. The resting time of the Group's employees is well-respected and the employees are also entitled to paid holidays under statutory requirements or otherwise under their respective employment contracts such as annual leave, sick leave, work injury leave, maternity leave and compensation leave.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Turnover

During the FY2022, the Group has an overall turnover rate of 16.4%. The detailed turnover numbers and percentage are set forth below:

Turnover	2022 No. of Staff	2022 Turnover rate (%)
By Gender		
Male	73	18.0%
Female	23	12.8%
By Age Group		
Below 30	45	31.7%
30 – 50	37	9.5%
Over 50	14	26.4%
By Management Level		
Senior Management	0	0.0%
Middle Management	2	5.4%
General Staff	94	17.4%
By Geographical Region		
Mainland China	96	16.5%
Hong Kong, China	0	0.0%
Overall	96	16.4%

Employee Activities

During the FY2022, the Group has organised a variety of activities to motivate and to enhance the overall morale of its employees, including but not limited to Liuzhou City "Corporation Cup" (凝心聚力杯) Volleyball Competition, Lantern Festival Garden Activity, 3.8 Women's Day and Chinese New Year Greeting, which allow staff members to gather outside of work for bonding and team building.

The Group held a grand and brief ceremony to kick off its business on the eighth day of the first month of the lunar calendar. Senior management of the Group paid New Year's greetings to all the staff, and visited the production workshops and various departments to send sincere New Year greetings and good wishes to all of them

Chinese New Year Greeting

In February 2022, the Group held a gardening activity with the theme of "Gathering efforts to write a new chapter and making a happy Lantern Festival" with cheerful activities and games to inherit the excellent Chinese traditional culture, includes "Full Circle", "Duck Set", "Shuttlecock", "Moon under the Sea" and others.

Lantern Festival Garden Activity

To celebrate the 112th International Women's Day, Chesir Labour Union organized a visit to farmhouse with interesting activities for all female employees. With games and good food, ladies had enjoyed a joyful holiday.

3.8 Women's Day

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Liuzhou City “Corporation Cup” (凝心聚力杯) Volleyball Competition

Health and Safety

Health care of the employees is of primary importance to the Group, and the Group is committed to provide a safe working environment to its employees. To maintain a safe working environment and minimise potential workplace injuries, the Group has established internal policies on safety management whereby different team is assigned different safety compliance responsibilities. We have zero-tolerance for employees who commit physical assault, threatening behaviour, unwelcome photo-taking and harassment in the workplace. The Group has been accredited with the ISO 9001:2015, ISO 14001: 2015, and ISO 45001:2018 certificates. In the FY2022, the Group has employee awarded as one of the “Occupational Health Experts” (職業健康達人). Over the years, the Group has always adhered to the people-oriented development philosophy, promoted distinctive health actions, focus on employees’ health and actively carried out occupational health management.

Also, the Group organizes and carries out physical examination for employees every year and establishes health records. Furthermore, it sets up a multi-functional gym, equipped with treadmill, table tennis, billiards, dumbbells and other fitness equipment. Every year, the Group organizes different physical activities and actively participating in cultural and sports events such as air volleyball and fun events held at all levels, employees in the Group demonstrates healthy, vigorous and energetic spirits.

Looking ahead, we will continue to strengthen occupational health management, improve working environment, strengthen the education and training of occupational health laws and regulations and occupational disease protection knowledge, improve employees’ awareness of occupational health and occupational disease protection, and strive to create a good and healthy working environment for employees, so as to ensure that occupational health risks are under control.

Policies

To protect the health and safety of the staff and the customers, the Group has implemented a series of policies for requirements and the handling procedures for specific situations:

- Safety production target management system (安全生產目標管理制度)
- Position occupational hygiene operating procedures (崗位職業衛生操作規程)
- Construction project occupational health "three simultaneous" management system (建設專案職業衛生"三同時"管理制度)
- Workers occupational health monitoring and filing management system (勞動者職業健康監護及其檔案管理制度)
- Maintenance and overhaul system for occupational diseases protection facilities (職業病防護設施維護檢修制度)
- Protective equipment management system for occupational diseases (職業病防護用品管理制度)
- Prevention publicity, education, and training system for occupational diseases (職業病防治宣傳教育培訓制度)
- Responsibility, hazard prevention, and control System for occupational diseases (職業病危害防治責任制度)
- Monitoring and evaluation management system for occupational diseases hazard (職業病危害監測及評價管理制度)
- Warning and notification system for occupational diseases hazard (職業病危害警示與告知制度)
- Accident handling and reporting system for occupational diseases hazard (職業病危害事故處置與報告制度)
- Hazard project declaration system for occupational diseases (職業病危害專案申報制度)
- Emergency rescue and management system for occupational disease hazards (職業病危害應急救援與管理制度)
- Occupational health inspection and reward and punishment system (職業衛生檢查與獎懲制度)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Occupational Measures

The below sets forth a few examples of the practices adopted by the Group in accordance with the applicable local laws and regulations in relation to workplace safety:

Our Attempt

- Ensuring the Group maintain the requirements of ISO 9001:2015 (Quality management), ISO 14001: 2015 (Environmental Management), and ISO 45001:2018 (Occupational health and safety);
- Ensuring the Group sites maintain accident insurance for the workers;
- To monitor safety measures throughout the construction process who will submit inspection reports to the Group regularly;
- Employing certified contractors for regular inspection of fire safety equipment in Guangxi production facility and office premises;
- Providing health checks to staff members as appropriate prior to commencement of employment;
- Providing safety equipment such as fire extinguishers at the workplace;
- Installing surveillance cameras at the main entrances, reception halls and front desks of various sections of the production facility and offices;
- Employing security guards guarding at various entrances and carrying out 24-hour patrol;
- Prohibiting smoking at the workplace;
- Providing safety training to staff members and practising from time-to-time emergency responses in the case of fire or other hazards;
- Regular cleaning of the water supply filters and daily garbage removal; and
- Provide precautionary measures and equipment (such as disinfectant and mask) to protect the staff from the COVID-19 pandemic.

1. Fire Drills

   Fire drill shall be conducted regularly. After each drill, meeting comprising of all responsible parties shall be held to review every aspect.

2. Emergency Preparedness

   "Contingency plans and Preparation Instructions for Environmental Emergencies" (突發環境事件應急預案及編製說明) and "Contingency plans for natural disaster incidents" (自然災害事故專項應急預案) are established response to emergency issues such as floods, infectious disease, earthquakes and heat stress.

During January 2022, the Group organized three sessions of Pre-Spring Festival Safety Training to emphasize how to pay attention to safety and emergency treatment from the aspects of COVID-19 prevention and control, holiday safety inspection, office safety, traffic safety, home safety, etc. Also, the safety inspection team carried out pre-Spring Festival safety inspection in all departments, production workshops, R&D buildings, warehouses, canteen kitchens, Phase II construction sites and other areas. These practices demonstrated the Group's dedication in creating a safe and healthy working environment for all employees.

Frequent high temperature weather has brought great challenges to employees. The Group regards heatstroke prevention and cooling as a top priority. Since June 2022, we have distributed two batches of mung bean porridge and herbal tea to front-line workers in the workshops every day. In addition, heatstroke prevention medicines have been prepared in each production workshops and office buildings. Moreover, we have carried out several "Send Cooling" activities, delivering watermelons and refreshing drinks to all employees. At the same time, the Group has continuously increased investment in heatstroke prevention and cooling facilities, strengthened the ventilation system and the investigation of potential safety hazards in high temperature areas, so as to ensure the safe production in summer and physical health of employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Safety Performance

The Group is committed to providing all necessary resources for effective implementation and continuous improvement to minimise and eliminate potential accidents at the workplace. The Group's offices and production facilities are subject to certain safety and health requirements pursuant to the requirements of ISO 45001:2018 (Occupational health and safety) and the laws in Hong Kong and the PRC, including but not limited to,

- The Labour Law of the PRC (《中華人民共和國勞動法》);
- The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》);
- Occupational Disease Prevention Law of the People's Republic of China (《中華人民共和國職業病防治法》);
- Production Safety Law of the PRC (《中華人民共和國安全生產法》);
- Law of the PRC on the Protection of Women's Rights and Interests (《中華人民共和國婦女權益保障法》);
- Regulation on Work-Related Injury Insurances (《工傷保險條例》);
- Measures for the Administration of Occupational Health Examination (《職業健康檢查管理辦法》);
- Classification and Catalogue of Occupational Diseases (《職業病分類和目錄》);
- Measures for Declaration of Occupational Disease Hazard Projects (《職業病危害專案申報辦法》);
- Regulations on the Reporting, Investigation and Handling of Production Safety Accidents (《生產安全事故報告和調查處理條例》); and
- The Occupational Safety and Health Ordinance (Cap. 509) of Hong Kong.

During the FY2022 and the previous two years, the Group was not aware of any accidents, fatalities, and lost days due to material workplace injuries. The Group will continue to uphold the awareness of workplace safety, review the safety measures and provide guidelines to the Group's employees to ensure continuous improvements and avoidance of workplace accidents. In addition, to the best of the Directors' knowledge and belief, the Group is generally in compliance with local labour laws and regulations regarding occupational health and safety during the FY2022.

Staff Education and Development

The Group always adheres to the concept of "talents are the first resource" and the strategy of "strengthening the enterprise with talents". The Group has introduced and cultivated retained talents in an all-round way, gathered talents with a broader vision and more open-minded, insisted on "transplanting talents with soil" and "cultivating talents with thick soil", vigorously introduced and trained international talents, promoted the construction of high-quality talent team to take a new step, and boosted its high-quality development.

In FY2022, the participation of these international talents with rich and mature experience in finance, investment, operation, technology and other business fields has provided adequate intellectual resources support for the development of various businesses of the Group. In addition, high-level talents in other business fields are also constantly joining, bringing together talents from all walks of life, and constantly adding new momentum to the high-quality development of the Group.

Not only introducing senior talents, but the Group also spared no effort to cultivate internal talents, build a platform for opportunities, innovate and improve the talent appointment mechanism, build a dual promotion channel of management sequence and technology sequence, and publicly select management personnel, so that the innovation and vitality of all kinds of talents can flourish. Talent assessment and incentive policies are optimized to give opportunities to those who really want to do something, can do something, accomplish something and obtain corresponding returns, so as to stimulate the enthusiasm and drive of all kinds of talents at all levels. Meanwhile, enhance the organizational structure and working methods, streamline redundant positions and processes, create a team with good "vitality", achieve the training effect that is experienced and grown in the work, and build talent support for the Group's high-quality development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

On the other hand, universities and institutions provide further talent support for the Group. To strength industry-education collaboration, the Group actively work with institutions. In June 2022, Liuzhou City Vocational College led a team to visit the Group for exchanges and communication, focusing on areas such as talent cultivation, integration of industry and education and school-enterprise cooperation.

Considering its employees to be indispensable to the Group's business achievements, in addition to the above safety-related training, the Group also provides both internal and external training programs to its employees regularly with a view to upholding the Group's brand image and continue to enhance their work quality and personal development.

The Group has established a series of policies for staff training and development:

(1) Internal Trainer Management Measures(內訓師管理辦法)

To establish the Company's internal trainer team, realize the formalisation and scientific management of internal lecturers so that it can effectively provide guidance on the employees to improve their work and performance, inherit the Company's relevant technology and corporate culture and facilitate knowledge sharing.

(2) Employee Training Credit System Management Measures(員工培訓學分制管理辦法)

The credit system management method is implemented to establish an effective learning incentive mechanism, encourage and assist the employees to master the knowledge and skills required for work, further improve their comprehensive quality, thereby enhancing their professional ability and effectively improving training efficiency.

(3) Staff Training Management System (員工培訓管理制度)

The Staff Training Management System is implemented to standardize and promote the Company's training continuously and systematically. Through the accumulation, dissemination, application, and innovation of knowledge, experience, and ability, the professional skills, and knowledge of employees are improved to meet the needs of the Company's business development.

(4) New Employee Training and Assessment Management Measures (新員工培訓及考核管理辦法)

The measure is specially implemented in order to standardize the Company's new employee training management, to familiarise the new employees with and adapt to the Group's culture, system and code of conduct as soon as possible. The Group supports the new employees to familiarise with the working environment, master their relevant work methods and skills, and clarify work norms and requirements. The Group also introduces a mentorship program whereby senior staff members will supervise new employees and provide on-board training and orientation to them to facilitate smooth integration into the Group's operation process.

Career Development

The Group has formulated labour contract to be entered into with each employee in accordance with the applicable labour laws. The Group also offers remuneration package to the employees including salary, bonus and other benefits and allowances such as the "Social Security and Housing Provident Fund" (社保及住房公積金) and birthday party.

The performance of the Group's employees will be reviewed annually for promotion appraisals, salary review and determination of annual bonus. The Group believes that the current appraisal systems provide an effective communication platform between the employees and the managerial staff of the Group to evaluate the individual performance and to identify employees with outstanding performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Rewards and Discipline

To encourage the staff to improve work performance with less mistakes, the Group has established a rewards and punishment system and has formulated all the relevant conditions in the "Employees' Handbook". There are three types of reward for the recognition of employees with good performance:

- Award (嘉獎) - The application for "rewards" is nominated by the person in charge of the department (completing the reward and punishment processing form), submitted to the human resources department for investigation and confirmation, and then reported to the human resources director for approval;
- Small merit (小功) - The application is nominated by the person in charge of the department (completing the reward and punishment processing form), submitted to the human resources department for investigation and confirmation, and then reported to the general manager for approval.; and
- Great merit (大功) - The application shall be nominated by the head of the department (completing the reward and punishment processing form), and if it is submitted to the human resources department for investigation and confirmation, it will be submitted to each department for collegial consideration, and finally reported to the general manager for approval.

Discipline for employees with misconduct is divided into (i) warning, (ii) minor demerit, (iii) major demerit, and (iv) dismissal (termination of labour contract). Employees will be immediately dismissed if they have committed serious misconduct, such as serious dereliction of duty or malpractice for personal gain, causing major damage to the interests of the company, staff who are investigated for criminal responsibility according to law, corruption and bribery, etc..

Learning and Development

To keep the employees abreast of new knowledge and skills, the Group also provides training programmes, such as workshops and seminars on health and safety at workplace. The Directors believe that the provision of opportunities to continuing education and advanced training can both increase the competency of the staff and improve their loyalty and work efficiency and increase the awareness of work safety. The Group has produced various guidelines for (i) internal trainer management (內訓師管理辦法), (ii) employee training credit system management (員工培訓學分制管理辦法), (iii) employee training management system (員工培訓管理制度), and (iv) new employee training and assessment management (新員工培訓及考核管理辦法).

For the new employees to be more familiar with the culture and work practices, all new employees of the Group will have to go through a probation period before the commencement of the formal employment. Upon expiry of the probation period, the relevant supervisors will decide if the new employee can be employed on a permanent basis taking into consideration his or her work attitude, work quality and whether the skill sets are suitable for the position. In addition to the on-job training, the Group also organises induction trainings for new employees according to their job categories, including factory-level safety training to provide occupational safety knowledge, occupational health knowledge, environmental management system knowledge and promote environmental protection awareness. In order to improve the management efficiency, the Group has also provided training to the senior management staff on a wide range of topics, which include (i) national safety measures, policies and regulations; (ii) safety management and production; (iii) risk management and precautionary measures; (iv) occupational risk and measures; (v) advanced safety management case studies; contingency plan and case studies, etc..

During the FY2022, all of our management and employees* in Mainland China who have received training and have been offered 4,648 training hours in total. The details are as follows:

Percentage of Employee Receiving Training[8]	2022
By Gender	
Male	100%
Female	100%
By Employment Category	
Senior Management	5 (100%)
Middle Management	36 (100%)
General Staff	540 (100%)
Overall	581 (100%)

Average Training Hours[9]	2022 Hours per Employee
By Gender	
Male	8.0
Female	8.0
By Employment Category	
Senior Management	6.4
Middle Management	8.22
General Staff	8.0
Overall	8.0

Note: * Included the number of turnover staff since they also attended training during the FY2022

8 Percentage of trained employee = Total number of employees received training during the Reporting Period / Total number of employees

9 Average training hours = Total training hours during the Reporting Period / Total number of employees

Prohibition of Child and Forced Labour

The Group is determined to be a responsible employer, and, in this connection, the Group has implemented good employment practice and promoted the ethical and human rights at the workplace. The Group only hires lawful employees and will not hire any child labour. During the recruitment process, candidates must submit photocopies of their identity cards and subsequently present originals for verification purposes.

The Group has in place an internal policy and "Employees' Handbook" which prohibits any form of child labour and set out the process of resignation and dismissal of employees in order to safeguard the Group's and employees' rights and eliminate the possibilities of forced labour. The Human Resources department will review the employment practice regularly to prevent the possibility of child and forced labour. If any child or forced labour cases have been discovered, the child labours will be dismissed from work immediately. The Group will strictly follow the local labour laws and regulations to handle such cases.

The Group complies the laws and regulations in all material aspects of employment and strictly abides (i) the Labour Law of the PRC (《中華人民共和國勞動法》), (ii) the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), (iii) Special protection regulations for juvenile workers of the PRC (《中華人民共和國未成年工特殊保護規定》), (iv) the Employment of Children Regulations of Hong Kong, and (v) the Employment Ordinance of Hong Kong. During the FY2022, the Group was not aware of any significant non-compliance case relating to child labour and forced labour.

OUR SUPPLY CHAIN

Supply Chain Management

The Group is committed to building lasting and constructive relationships with partners in its supply chain. To maintain and ensure the quality of the Group's services, the Group's Supply Chain Management Policy specifies the objective to achieve a fair, transparent and competitive procurement process, which requires all employees to observe the highest standards of business integrity and to comply with relevant laws and regulations.

The Group has organised an investigation team, to identify all environmental and social risk factors related to daily production and operation process, warehouse and transportation in the supply chain, and analyse the risk value of each factor according to the "Supply Chain Management System" (供應鏈管理制度). The supply chain centre and safety and environmental protection centre are responsible for the risk identification and control of internal warehouses. Risk identification and control of external suppliers and service suppliers are investigated annually by the expert group organized by the supply chain centre. The supply chain management centre worked with the quality management centre, manufacturing centre, technology centre, financial management centre, and other departments to review and report to the general manager for approval.

Supplier Engagement

The Group adheres great importance to the collaboration with suppliers and believes deeply that the establishment of a cooperation relationship with suppliers would enhance the Group's workflow and product quality. The Group conducts comprehensive evaluations of suppliers regularly. In addition to reviewing factors such as brand and product quality, suppliers' environmental and social responsibility performance is one of the primary considerations in establishing strategic relationships. In considering building partnership, the Group will prioritise companies holding ISO14001 environmental management system certification. The Group conducts regular on-site inspections to check and review the performance of suppliers.

The Group has established a set of standard procedures for the selection of new suppliers or service providers. The procurement department of the Group will conduct qualification assessments and the criteria include: (A) whether there is environmental pollution risk in the production and service process, the ability of environmental protection management, and if there is any relevant qualification certificate; (B) whether the products or services provided have social risks, such as whether they are monopolistic; (C) whether more environmentally friendly products and services are used in the production process; and (D) production and supply capability. Suppliers or service providers that meet the requirements will fill in the "Supplier Sample Testing Application Form" (供方樣品檢驗申請表) and send their samples to the quality management centre. Once the potential supplier or service provider got qualified, the procurement department will fill in the "Supplier's Product Trial Application Form" (供方產品試用申請表) and submit it to the quality management centre, manufacturing management centre, and technology centre for joint approval, and the product will have 3-month probation period. After the probation period, the procurement department together with the manufacturing management centre, technology centre, quality management centre, and financial centre will re-evaluate the supplier and will add them into the "List of Qualified Suppliers" (合格供方名單). The suppliers in the "List of Qualified Suppliers" will be also reviewed and updated in due course.

Supplier Profile

The Group has a total of 34 suppliers. 12 of the suppliers are located in India and 22 of the suppliers of the Group are located in the PRC.

Supplier Control and Monitoring

In order to achieve better project performance, the Group reviews on an annual basis the quality of suppliers based on factors such as (i) sufficiency of the plant; (ii) sufficiency of manpower; (iii) progress; (iv) workmanship; (v) response to instructions; (vi) financial status; (vii) environmental and social performance and (viii) planning and management. Comments and remarks are given if any improper practices and unsatisfied performance is observed for further improvement.

The procurement department is responsible for liaising with suppliers and manufacturers and conducting on-site inspections regularly. The inspection scope includes manufacturing status, quality control, key procedure control, operation status of manufacturing and testing equipment, environmental governance, social risk governance, usage of environmentally friendly products and services, labour quality, etc. The inspectors keep records in accordance with the above criteria, and they will be used as an important basis for evaluating qualified suppliers.

At the beginning of each year, the procurement department together with the quality management centre, production planning centre, technology centre, financial management centre, and other relevant departments will evaluate the performance of qualified suppliers. The Group will assess the products or quality management system of the suppliers when necessary, suggest assessment opinions, and complete the "Supplier Assessment Record Form" (供方評審紀錄表).

The procurement department of the Group is responsible for formulating "Performance Profile of Qualified Suppliers" (合格供方業績檔案), which is to regularly count and record the unqualified raw and auxiliary materials found in the daily incoming inspection. The inspector will provide a written warning to those suppliers with poor performance and require them to submit written guarantees and plans for improvement. For those who have been warned but without obvious improvement, the procurement management centre will issue a notice of disqualification, and after reporting to the management representative for approval, the supplier will be notified to stop supplying and remove them from the "List of Qualified Suppliers" (合格供方名單).

Suppliers or service providers who are disqualified within a year will not be reconsidered. They will need to re-evaluate according to the above-mentioned procedures if they wish to re-join over a year.

OUR CUSTOMER

Product and Services Quality

Product Responsibility

As the market is rapidly changing and the demand is increasing, the Group will continue to focus on the development on high quality products, innovations and to pay attention to the customers' requirements. The Group is persistent in improving the operation systems. The Group appreciates honesty, puts the customers' requirements as our top priority, acts in a proactive and responsible manner to maintain a mutually beneficial relationship with the customers. The Group strives to attain a deep understanding of the customers' requirements and try our very best to meet their needs and even exceed their expectations. While collaborating with the customers and the business partners, the Group can grow and make progress together.

According to the "Process Control Procedure for Customer-Related Requirements" (與顧客有關要求的過程控制程式), the Sales Department of the Group receives all the drawings, data, samples, and other specific materials from the customer and send them to the Technical Department of the Group. The technical department will then be responsible for reviewing and collecting relevant laws and regulations (including the requirements and regulations issued by government agencies on product safety inspection), product standards/specifications, and customer-specified product safety requirements. The product safety requirements are also applicable to the procurement department, and pass on to relevant suppliers. When purchasing materials from a supplier, the procurement department should verify the purchasing data concerning product/process safety in accordance with the "Procurement Control Procedure" (採購控制程式), and clearly stated the products provided by the supplier and related safety items in the purchasing contract, technical quality agreement, and material acceptance specification. The Group proactively promotes the use of environmental-friendly products.

Safety and Quality Management

As a responsible new material manufacturing enterprise, the Group has accredited with the ISO 9001:2015, ISO 14001: 2015, and ISO 45001:2018 certificates and strictly monitor the quality and safety in the use of the products of the Group.

The Group is committed to comply with the local laws and regulations on product safety and protecting consumers' health in the use of the Group's products. Following the requirements of ISO 9001:2015, ISO 14001: 2015, and ISO 45001:2018, the Group implements stringent internal codes and procedures for quality checks during the manufacturing process of pearlescent pigment products. Any non-conformity products must be handled properly with procedures such as proper labelling and recording.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group manages and standardises the quality inspection of raw materials, semi-finished products, and finished products involved in various outputs and delivery links in manufacturing plants in accordance with the "Product Safety Management Manual" (產品安全性管理程式) to ensure that the quality is strictly monitored before being transported to the next production process. Once the product is found to be unqualified in safety, it will be isolated by the quality department and handled in accordance with the "Unqualified Product Control Procedure" (不合格品控制程式). If the product has been shipped, the sales department will notify the customers and immediately recall the defective product.

The Group strictly abides by national and local laws and regulations, including but not limited to the Product Quality Law of the PRC (中國產品質量法), Production Safety Law of the People's Republic of China (中國安全生產法) and other relevant European Union standards. During the FY2022, there was no official record of any material non-compliance or violation of relevant laws and regulations regarding product and service quality.

Product Return Policy

The Group maintains the usual high quality for its products and services, meanwhile, the Group has arranged for the return and compensation of products with quality issues in accordance with the terms written in the sales contracts. For any customers who are affected by quality issues, the Group will adopt the standard, including product return, recall or provide compensation of products, in a consistent manner.

When the Group has received any complaint from customers, it will handle it according to the "Customer complaint handling procedure" (客訴問題處理常式). Firstly, the staff may be required to complete the "Quality Improvement Countermeasures Report" (品質改善對策報告書) and submit it to the quality engineer for conducting a preliminary analysis on the complaints. Then the responsible departments are identified, and a discussion group will be set up to analyse the reasons and provide the improvement measures. The quality engineer will then issue a rectification notice to the responsible departments, and the relevant departments will notify the quality department once the improvement measures are implemented. The quality engineer is responsible for the subsequent verification. If there remains any outstanding issue or problem, the discussion group will work together again. Otherwise, the result will be recorded in the "Quality Improvement Countermeasures Report" (品質改善對策報告書), scanned and passed to the salesman to reply to the customer.

During the FY2022, there was no official record of complaint about product or service, and there were no sold or shipped products that were subject to recalls for safety and health reasons.

Product Advertising/Labelling

To ensure that the company's products and services advertising information is accurate and avoid misleading consumers, the Group strictly abides by the related laws and regulations, including but not limited to Law of the PRC on the Protection of Consumer Rights and Interests (中國消費者合法權益保護法), Advertising Law of the PRC (中國廣告法), Measures for Penalties against Infringement upon Consumers' Rights (欺詐消費者行為處罰辦法) and Interests and Anti-Unfair Competition Law of the PRC (中國反不正當競爭法).

The Group understands the customers' rights and is committed to providing accurate product and service information for customers in connection with their purchase or consumption decision. The Group has established the "Product identification, traceability control procedures" (產品標識、追溯控制程式) and the "Product and Service Advertisement Review Management System" (產品和服務廣告審查管理制度). The Group requires the employees to carefully review the advertising materials for the purpose of making sure that there is no incorrect or misleading information in the advertisements published by the Group. The Group is committed to providing sufficient and accurate information and product label to customers, and considers that it is an extended responsibility of product safety management.

Intellectual Property Protection, and Data Protection and Privacy

The Group has been awarded as a "National Intellectual Property Superior Enterprise" (國家知識產權優勢企業) by National Intellectual Property Bureau (國家知識產權局) since 2017. In FY 2022, a newly applied invention patent "a saggar automatic unloading system and unloading method for roller kiln" was successfully granted a notice of authorization. The technique can realize the turnover and unloading of materials in a single row of saggers at the same time, which greatly improves the production efficiency and effectively reduces the production cost. According to the "Enterprise intellectual property Management Standards" (GB/T29490-2013), the Group's intellectual property management system documents should comply with relevant effective laws and regulations, through data search, communication, sampling inquiry and other ways, the supervision team conducted a comprehensive and detailed review to the Group's intellectual property management system operation. No nonconformities were found, the audit was successfully passed, and the certification certificate was maintained. As a national intellectual property superior enterprise, the Group has taken necessary measures to strictly protect our intellectual property rights, data and privacy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, in FY 2022, 3 patents were successfully obtained, while newly applied for 6 patents and 20 new registered trademarks. As of 31 December 2022, the Group had a total of 36 patented technologies, 4 software copyrights and 33 registered trademarks and was accredited as a "National Intellectual Property Superior Enterprise" (國家知識產權優勢企業) by China National Intellectual Property Administration.

The Group strictly abides by national and local laws and regulations, including but not limited to the Patent Law of the PRC, Copyright Law of the PRC, Trademark Law of the PRC, and other laws and regulations. In order to protect the information of customers and the Group (including information related to intellectual property rights), the Group has formulated its own "Information System Management Measures" (資訊系統管理辦法) for the Group to ensure that offices and sites equipment such as laptops are properly kept. All the documents and electronic materials of the Group, including materials for training, are not allowed to circulate outside without authorization. All business information, financial information, personnel information, bidding information, contract documents, customer information, research and statistical information, technical documents, planning and marketing plans, management documents, meeting content, that have not been publicly disclosed are all considered corporate secrets.

The Group's employees are responsible for their confidentiality. All rights and interests obtained by employees who are on duty, such as commercial and technical information, inventions, and research results belong to the Group and are not allowed to copy, imitate, reprint, extract, or distribute without any written authorization. The Group is committed to protecting the customers' data and privacy. Unless the customer's consent is obtained, the collected customer information will not be used for promotional purposes.

During the FY2022, there was no material non-compliance or violation in intellectual property, product quality and safety, advertising, labelling, and privacy.

BUSINESS ETHICS

Anti-corruption

The Group is committed to conducting its business with honesty and integrity and applying the highest standards on the establishment of transparent and open corporate governance frameworks. The Group would not accept any unethical acts.

The Group's policy of "Anti-bribery, anti-corruption, anti-fraud and whistleblowing management system" (《公司反賄賂反腐敗反舞弊與舉報管理制度》) is aimed to ensure that the Group is free of corruption and uphold integrity throughout its businesses. The policy covers staff orientation and the Employees' Handbook. A whistleblowing system is established for staff and other relevant parties to report misconduct cases. Every reported case will be handled in confidentiality and followed through in accordance with related policies and procedures.

This system is specifically established in order to strengthen corporate governance and internal control, prevent fraud, standardize anti-fraud work behaviour, and safeguard the legitimate rights and interests of the company and shareholders, in accordance with the "Basic Norms and Supporting Guidelines for Enterprise Internal Control" (《企業內部控制基本規範及配套指引》), the "Employees' Handbook", and relevant laws and regulations and other relevant documents, associating with the actual situation of the company. The purpose of anti-bribery, anti-corruption, and anti-fraud work is to regulate the professional behaviour of all employees of the company, especially directors, supervisors, middle and senior managers, and employees in key positions, establish a clean, diligent and dedicated work style, and abide by relevant laws and regulations, professional ethics and the company's internal management system to prevent the occurrence of behaviours that damage the interests of the company and shareholders. This system applies to the Group.

The Group strictly adheres to the laws and regulations relating to business honesty, bribery and money launderings in Hong Kong, such as Prevention of Bribery Ordinance in Hong Kong, the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》) and the PRC Criminal Law (《中華人民共和國刑法》). Employees of the Group are also required to strictly comply with the above laws and regulations, such requirement is a term that under the Group's standard employment contract that legal non-compliance will constitute a ground of termination of employment.

To uphold the Group's business ethics, regular internal training and updates on anti-corruption will be provided to the directors and selected employees of the Group.

During FY2022, the Group was awarded as the "Honest and Upright Private Enterprise" in the Guangxi Zhuang autonomous region. In the course of development, the Group has always insisted on integrity as the base point of corporate development and integrated integrity into the construction and development of the Group. It creates an honest and upright good ecology, maintains clean internal and external relations, and builds a loyal and transparent management team. In view of it, the Group promotes the ability to innovate and improve core competitiveness in order to promote the long-term development of honest and upright private enterprises, improve the Group's management quality, and ultimately help the harmonious and healthy development of enterprises.

The Group also expects its suppliers and business partners to abide by the relevant local anti-corruption laws. The Group provides anti-corruption training for all the Directors, senior management and general staff regularly. The Group has completed annual anti-corruption training for all the Directors, senior management and general staff of the Group. During the FY2022, the Group was not aware of any warning, notice complaint or notification from governmental authorities on non-compliance cases such as bid-rigging and corruption litigation in this regard.

OUR SOCIETY

Community Investment

The Group believes that community support is important to the Group's long-term success and strives to engage the community to understand their needs surrounding us. The Group is committed to contributing to programmes that support healthy, resilient, and sustainable community development over the short and long term. The Group is committed to making contributions to society and support of initiatives that benefit the communities in pursuit of a better tomorrow.

Our Contribution

The Group has always been enthusiastic about the public welfare work of helping the poor, upholding social responsibilities, and continuously contributing resources to the society. In FY2022, the Group donated RMB1,099,500, in forms of monetary, resources and poverty alleviation funds, and established a supportive relationship with the poor. Through the "Industry + Employment" model, the poor were provided with employment opportunities in our production plant, which allowed them to make a living. The "three simultaneous" (三不誤) of employment, farm work, and family helps the poor to get rid of poverty and strive for qualitied living.

In January 2022, the Group's management visited Liuhe Village, Zhongqing Village, Jiangkou Village and Xin'an Village in Jiangkou Township of Luzhai County to carry out "Welcome New Year, Send Warmth" poverty alleviation. During the activity, we made a visit to 20 poor households and gave them greetings and blessings for the New Year and offerings.

In February 2022, anti-epidemic supplies such as N95 masks, protective clothing and caps and other needs worth RMB$100,000 were sent to Baise, to support Baise community and solve the pressing worries. Those supplies were also sent to our front-lines staffs. The Group tries its best to safeguard the health of its staffs, while show strong sense of corporate social responsibility in the hardest time for local community to fight against COVID-19.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In March 2022, our staffs carried out a voluntary tree planting activity. The event embodies the concept of "lucid waters and lush mountains are invaluable assets". Planting trees can improve the ecological environment and promote the harmonious development of enterprises and nature. This activity further improves employees' awareness to protect the natural environment and enhances their sense of responsibility and mission to build a beautiful Luzhai.

The Group is also keen on strengthening connections and promoting school-enterprise cooperation and achieving win-win results. In July 2022, a group of doctoral and undergraduate students from the School of Materials Science and Engineering, Zhejiang University, went to the Group's product exhibition hall, corporate culture exhibition hall and R&D centre for research and study. through the visit and exchange activity, students not only gained a better understanding of the corporate culture, but also made them deeply aware of the importance of knowledge and skills, and better career development in the future. The Group will continue to strengthen school-enterprise collaborations and provide support for internships and employment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
A. Environmental		
Aspect A1 Emissions		
General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Our Environment – Environmental Compliance
KPI A1.1	The types of emissions and respective emissions data.	Our Environment - Air Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment - Greenhouse Gas (GHG) Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment – Air Emissions
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment – Air Emissions
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Our Environment – Sustainability Overview and Management Objectives
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Our Environment – Air Emissions

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
A. Environmental		
Aspect A2 Uses of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Our Environment – Environmental Compliance
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Our Environment - Environmental Impacts from our Operations and Mitigation Measures – Energy Efficiency
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Our Environment - Environmental Impacts from our Operations and Mitigation Measures – Water Consumption and Efficiency
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Our Environment - Environmental Impacts from our Operations and Mitigation Measures – Energy Efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Our Environment - Environmental Impacts from our Operations and Mitigation Measures – Water Consumption and Efficiency
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Our Environment - Environmental Impacts from our Operations and Mitigation Measures – Paper and Packaging Materials

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
A. Environmental		
Aspect A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Our Environment – Environmental Compliance
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Our Environment - Environmental Impacts from our Operations and Mitigation Measures
Aspect A4 Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Our Environment – Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Our Environment – Climate Change
B. Social		
Employment and Labour Practices		
Aspect B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our People – Policies, Employment Management, Employee Retention
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Our People - Employment Management
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Our People - Employee Retention

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
B. Social		
Aspect B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Our People – Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Our People – Health and Safety
KPI B2.2	Lost days due to work injury.	Our People – Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Our People – Health and Safety
Aspect B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our People – Staff Education and Development
KPI B3.1	The percentage of employees trained by gender and employee category.	Our People – Staff Education and Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Our People – Staff Education and Development

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
B. Social		
Aspect B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Our People – Prohibition of Child and Forced Labour
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Our People – Prohibition of Child and Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Our People – Prohibition of Child and Forced Labour
Operating Practices		
Aspect B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Our Supply Chain – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Our Supply Chain – Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Our Supply Chain – Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Our Supply Chain – Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Our Supply Chain – Supply Chain Management

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
B. Social		
Aspect B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Our Customer – Product and Service Quality
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not relevant to the Group's business
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Our Customer – Product and Service Quality
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Our Customer – Intellectual Property Protection, Data Protection and Privacy
KPI B6.4	Description of quality assurance process and recall procedures.	Our Customer – Product and Service Quality
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Our Customer – Intellectual Property Protection and Data Protection and Privacy

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)		Section/Statement
B. Social		
Aspect A7 Anti-corruption		
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Business Ethics
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Business Ethics
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Business Ethics
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Business Ethics
Community		
Aspect B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Our Society - Community Investment and Our Contribution
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Our Society - Community Investment and Our Contribution
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Our Society - Community Investment and Our Contribution

Note 1: All general disclosures and KPIs under "Subject Area A. Environmental" are "comply or explain" provisions while others are recommended disclosures set out in the ESG Guide.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. SU Ertian, aged 57, is our founder, our executive Director, Chairman, Chief Executive Officer and one of the controlling shareholders (the "**Controlling Shareholders**"). Mr. SU is also the general manager of Chesir Pearl. Mr. SU has been the Chairman of Chesir Pearl since its establishment on 29 March 2011. Mr. SU was appointed as a Director on 8 June 2018 and was redesignated as an executive Director on 22 December 2020. Mr. SU is primarily responsible for determining our business strategies and overseeing the implementation thereof. Prior to establishing Chesir Pearl, Mr. SU was working in a number of mining and trading companies in the PRC.

Mr. SU was the Chairman of the 3rd Liuzhou Wenzhou Chamber of Commerce (第三屆柳州市溫州商會), Honorary Chairman of the 4th Liuzhou Wenzhou Chamber of Commerce (第四屆柳州市溫州商會), a representative of the 13th and 14th People's Congress of Liuzhou City (柳州市第十三、第十四屆人民代表大會), the vice chairman of the 13th and 14th Commerce of Liuzhou Federation of Industry and Commerce (第十三、第十四屆柳州市工商業聯合會) and a committee member of the 12th General Chamber of Commerce of the Guangxi Zhuang's Autonomous Region Federation of Industry and Commerce (第十二屆廣西壯族自治區工商業聯合會總商會).

Mr. SU obtained an Executive Master of Business Administration (EMBA) degree from Guangxi University (廣西大學), the PRC in December 2012 by way of part-time studies. Mr. SU was an adjunct professor at Hubei University of Technology (湖北工業大學), the PRC during September 2017 to September 2020.

Mr. JIN Zengqin, aged 54, is our executive Director and one of the Controlling Shareholders. Mr. JIN is also the Deputy General Manager of Chesir Pearl. Mr. JIN has been the executive director of Chesir Pearl as well as its Deputy General Manager since May 2011. Mr. JIN is primarily responsible for overseeing sales operations and the implementation of our business strategies and initiatives. Prior to joining our Group, Mr. JIN was working in a plastic manufacturing enterprise in the PRC for more than 15 years with his last position as the general manager.

Mr. JIN is a member of the 9th Chinese People's Political Consultative Conference National Committee of Luzhai County (鹿寨縣第九屆政協委員) and the vice chairman of Luzhai County Federation of Industry and Commerce (鹿寨縣工商業聯合會).

Mr. JIN obtained a bachelor's degree in economics from Hangzhou Institute of Commerce (杭州商學院), the PRC in July 1991, a bachelor's degree in business management from Guangxi University (廣西大學) the PRC in June 1996, a bachelor's degree in arts and design from Wuchang Institute of Technology (武昌理工學院), the PRC in December 2013 by way of part-time studies and an Executive Master of Business Administration (EMBA) degree from Guangxi University (廣西大學), the PRC in June 2020 by way of part-time studies.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Mr. ZHOU Fangchao, aged 40, is our executive Director and joint company secretary of our Company. Mr. ZHOU is also the Deputy General Manager of Chesir Pearl and the secretary to the board of directors of Chesir Pearl. Mr. ZHOU joined our Group in April 2014 as an assistant to the chairman of the board of directors of Chesir Pearl and was promoted to the position of the Deputy General Manager in April 2015. Since September 2018, Mr. ZHOU took on an additional role as the secretary to the board of directors of Chesir Pearl. In October 2020, Mr. ZHOU was appointed as a director of Chesir Pearl.

Prior to joining our Group, Mr. ZHOU worked as an engineer at SAIC-GM-Wuling Automobile (上汽通用五菱汽車股份有限公司), a sino-foreign joint venture in the PRC jointly established by Shanghai Automotive Group Co., Ltd., General Motors Corporation of the United States and Guangxi Automobile Group Co., Ltd. (formerly Liuzhou Wuling Automobile Co., Ltd.), during July 2005 to December 2007. Mr. ZHOU then started his own business from July 2008 to February 2010. From March 2010 to March 2013, Mr. ZHOU previously worked as a project director of an information technology company in Guangxi Province.

Mr. ZHOU obtained a bachelor's degree in material forming and control engineering from Nanchang Institute of Aviation Industry (南昌航空工業大學) (currently known as Nanchang Aviation University (南昌航空大學)), the PRC in July 2005.

Mr. BAI Zhihuan, aged 39, is our executive Director and Vice President of the Company. Mr. BAI joined the Group in 2014 and is currently the director and vice general manager of Guangxi Chesir Pearl Material Co., Ltd. (廣西七色珠光材料股份有限公司), a non-wholly owned subsidiary of the Company, and is responsible for overseeing the sales and purchasing activities of the Group and day-to-day operations and management of the Group. Mr. BAI graduated from Guangxi University of Science and Technology (廣西科技大學) with a bachelor's degree in business administration. He is a postgraduate of master of marketing management in Complutense University of Madrid (西班牙馬德里康普頓斯大學). Mr. BAI is a nephew of Mr. SU Ertian, the Chairman and Chief Executive Officer of the Company and one of the controlling shareholders of the Company.

Ms. ZENG Zhu, aged 32, is our executive Director. Ms. ZENG has joined Chesir Pearl Material Co., Ltd. (廣西七色珠光材料股份有限公司) ("**Chesir Pearl**") since her graduation from The Guangxi University (廣西大學) in 2014 with a bachelor's degree in chemical engineering and technology. Initially working for Chesir Pearl as an inspector of incoming raw materials, Ms. ZENG has been gradually promoted over the years to the positions of quality check team leader and quality check supervisor in 2016 and 2019, respectively. In September 2021, Ms. ZENG has been promoted as the Chief Quality Officer of the Group and is responsible for the management of the quality control function of the Group.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. HU Yongxiang, aged 56, is a non-executive Director. Mr. HU has also been a director of Chesir Pearl since October 2020. Mr. HU is primarily responsible for formulating the overall implementation business plan of Chesir Pearl.

Mr. HU graduated from Tongji University (同濟大學), the PRC with a master's degree in business administration in November 1998. Mr. HU has over 20 years of experience in venture capital. Mr. HU is a currently a general manager of Zhejiang Venture Capital Group Co., Ltd. and is experienced in successful listing of companies in the new materials industry, including Western Metal Materials Co., Ltd. (西部金屬材料股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002149) and Rutai Materials Tech Co., Ltd. (瑞泰科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002066). Mr. HU was an assessor and entrepreneurial instructor for the new materials finals of the China Innovation and Entrepreneurship Competition (中國創新創業大賽新材料總決賽) from 2017 to 2019. Mr. HU is currently the vice president of Zhejiang Venture Capital Association (浙江省創業投資協會).

Mr. HU has been a director of Zhejiang Qinglian Food Co., Ltd (浙江青蓮食品股份有限公司), a company listed and quoted for trading on NEEQ on 17 March 2016 and was subsequently delisted on 21 July 2017, due to the reason of changes in strategic development planning since 28 June 2018.

Mr. HU also has been appointed as the chairman of the supervisory board of Hangzhou Huaguang Welding New Material Co., Ltd. (杭州華光焊接新材料股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688379), since September 2017, a director of Hangzhou On Honest Tech. Corp., Ltd. (杭州安鴻科技股份有限公司), a company listed and quoted for trading on NEEQ and was subsequently delisted in February 2021, since January 2019, and a supervisor of Dongyang Qingyu Media Co., Ltd., (東陽青雨傳媒股份有限公司), a company listed and quoted for trading on NEEQ (stock code: 832698), since March 2018, respectively.

Mr. HU was a director of China Building Material Test & Certification Group Co., Ltd. (中國建材檢驗認證集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603060), from February 2016 to February 2021.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HUI Chi Fung, aged 64, is an independent non-executive Director. Mr. HUI currently is the sole proprietor of Hui Chi Fung Certified Public Accountant. Mr. Hui serves as an executive council member and the vice chairman of Corporate Governance Committee and Membership & Talent Committee of The Hong Kong Independent Non-Executive Director Association. Mr. HUI holds a MBA degree from The University of Western Ontario. Mr. HUI is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a member of Chartered Professional Accountants of Canada.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Mr. HUI is an experienced business executive with solid accounting and finance background and over 30 years of work experience in information and communications technology and consumer service industry. Mr. HUI retired from Fuji Xerox (Hong Kong) Limited ("Fuji Xerox HK"), a subsidiary of FUJIFILM Holdings Corporation, a company listed on The Tokyo Stock Exchange (stock code: TYO: 4901) and Xerox Holdings Corporation, a company listed on NASDAQ (stock code: NASDAQ: XRX), in October 2019. Before his retirement, Mr. HUI served as the managing director of Fuji Xerox HK. During his 30 years of work experience in Fuji Xerox HK, Mr. HUI was involved in the Fuji Xerox HK's operation including equipment leasing, corporate finance and control, legal and internal audit in Hong Kong and China. Mr. HUI also assisted the Fuji Xerox HK in the implementation of the enterprise risk management systems, and the environmental, social and governance initiatives and the establishment of internal audit team in both Hong Kong and China.

Professor HAN Gaorong, aged 60, is an independent non-executive Director. Professor HAN will provide independent advice and opinion on our strategy, performance, resources and financial operations. Professor HAN is currently a distinguished professor of Zhejiang University (浙江大學), the PRC.

Professor HAN is mainly engaged in the research on inorganic functional nano-materials and new energysaving coated glass. Professor HAN has authored various articles covering topics of the preparation, structure, performance and application of nano-semiconductor thin film materials. Professor HAN had participated in teaching and research projects established by the National Natural Science Foundation of China (國家自然科學基金委員會), China Innovation Funding (國家重點研發計畫) and National Key Technology Research and Development Program of the Ministry of Science and Technology of China (國家科技支撐計畫). Professor HAN was awarded the second prize of National Science and Technology Progress Award (國家科技進步二等獎) in 2008 and first prize of Zhejiang Province Science and Technology Progress Award (浙江省科技進步一等獎) in 2004 and 2013, respectively. In 2004, Professor HAN was also awarded special government allowances of the State Council (國務院政府特殊津貼).

Professor HAN obtained a bachelor's degree and a doctoral degree in material science and engineering from Zhejiang University (浙江大學), the PRC, in July 1983 and December 1989, respectively. During April 1988 to July 1989, Professor HAN participated in overseas doctoral training at Tokyo Institute of Technology, Japan.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Mr. LEUNG Kwai Wah Alex, aged 70, is an independent non-executive Director. Mr. LEUNG has over 30 years of experience in banking and finance. Mr. LEUNG is a fellow member of Governance Institute of Australia, The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators), Hong Kong Institute of Directors and Hong Kong Securities and Investment Institute. Mr. LEUNG is also a full member of Hong Kong Treasury Markets Association.

Mr. LEUNG was working in various multinational banks. From March 1982 to May 1986, Mr. LEUNG worked in the Hong Kong branch of Manufacturers Hanover Trust Company with his last position as a manager. From June 1986 to July 1988, Mr. LEUNG was working as an assistant vice president in the Hong Kong branch of National Westminster Bank USA. Mr. LEUNG was a product manager at the headquarters of Canadian Imperial Bank of Commerce during March 1992 to January 1995 and as a relationship manager in Credit Suisse, Hong Kong branch, from September 2006 to January 2008. Mr. LEUNG has been an independent non-executive director of New City Development Group Limited, a company listed on the Stock Exchange, since June 2016 (stock code: 00456).

Mr. LEUNG obtained a diploma in business management from Hong Kong Baptist College (currently known as Hong Kong Baptist University) in 1979 and a Master of Business Administration degree from Illinois State University, USA in 1981.

SENIOR MANAGEMENT

Mr. DONG Wenta, aged 56, joined Chesir Pearl in January 2013 as a financial manager and was promoted as the Chief Financial Officer of Chesir Pearl in April 2016. In February 2018, Mr. DONG was further promoted as the Deputy General Manager of Chesir Pearl and was appointed as the Deputy General Manager of Chesir Pearl in February 2018. Mr. DONG is responsible for monitoring the corporate finance matters of our Group.

Mr. DONG has over 35 years of experience in accounting and financial management. Mr. DONG is a certified public accountant and an international registered internal auditor in the PRC. From August 1985 to July 2005, Mr. DONG worked for the local government of Zhejiang Province for 20 years with his last position as the financial manager of Pingyang Salt Management Bureau (浙江省平陽縣鹽務局). From August 2005 till joining our Group in January 2013, Mr. DONG served as a member of the senior management in companies across various industries including coal-mining, investments and financial services in the PRC.

In December 1994, Mr. DONG obtained professional certificate in business management from Hangzhou University of Commerce (杭州商學院) (currently known as Zhejiang Gongshang University (浙江工商大學)), the PRC. Mr. DONG did not hold any directorship in any listed companies during the last three years.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Professor FU Jiansheng, aged 68, joined Chesir Pearl in May 2015 as Chief Engineer after his retirement as a professor from Hubei University of Technology (湖北工業大學). Professor FU is responsible for the supervision of the research and development and production activities of our Group. Professor FU was a professor of Hubei University of Technology (湖北工業大學) from 2010 to April 2015.

Professor FU has substantial experience in research and development of pearlescent pigment materials and is the inventor of 18 registered patents in the PRC and one registered patent in Japan.

Professor FU obtained a bachelor's degree in chemical engineering from Hubei Institute of Light Industry (湖北輕工業學院) (currently known as Hubei University of Technology (湖北工業大學)), the PRC in July 1982. Professor FU did not hold any directorship in any listed companies during the last three years.

Mr. MAK Hing Keung, Thomas, aged 60, was an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee until 5 September 2022. Mr. MAK has been appointed as the Chief Financial Officer of the Group on 5 September 2022. Mr. MAK has over 30 years of work experience in accounting and financial management. In May 1989, Mr. MAK obtained a bachelor's degree of commerce from Queen's University, Canada. Mr. MAK is currently a member of the Canadian Institute of Chartered Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr. MAK was the Principal of the CFO Centre (Hong Kong) during the period from March 2022 to September 2022 and was the chief financial officer of Ke Chuan Holding Co. Limited during the period from February 2021 to January 2022. Before that appointment, Mr. MAK was the chief financial officer of M800 Limited from April 2020 to January 2021 and Fortunet E-Commerce Group Limited (currently known as Changyou Alliance Group Limited), a company listed on the main board of the Stock Exchange (stock code: 01039) from January 2017 to January 2020. Mr. MAK currently is an independent non-executive director of China PengFei Group Limited (stock code: 03348) and Tao Heung Holdings Limited (stock code: 00573), both of which are listed on main board of the Stock Exchange.

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF
GLOBAL NEW MATERIAL INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Global New Material International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 125 to 193, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables Refer to note 21 to the consolidated financial statements. As at 31 December 2022, the Group had gross trade receivables of approximately RMB319,109,000 and allowance for doubtful debts of approximately RMB10,990,000. In general, the credit terms granted by the Group to customers ranged between 30 days to 180 days. Management performed periodic assessments of the recoverability of trade receivables and the sufficiency of allowance for doubtful debts based on information including credit profile of different customers, ageing of the trade debtors, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. The inherent risk in relation to the impairment assessment of trade receivables is considered significant because the impairment assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates which were subjective. Therefore, we identified the impairment assessment of trade receivables as a key audit matter.	Our procedures in relation to management's impairment assessment of trade receivables included: – Assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors including subjectivity; – Understanding and evaluating key internal controls over the Group's impairment assessment of trade receivables; – Evaluating the outcome of prior period assessment of impairment of trade receivables to assess the effectiveness of management's estimation process; – Assessing whether trade debtors had been appropriately grouped by management based on their shared credit risk characteristics; – Assessing the external valuer's qualifications, experience and expertise and considering their objectivity and independence; – Testing the accuracy and completeness of the data used by external valuer to develop the historical loss rates and assessing the sufficiency, reliability and relevance of that data;

Key Audit Matter	How our audit addressed the Key Audit Matter
	Our procedures in relation to management's impairment assessment of trade receivables included (cont'd): – Testing, on a sample basis, the accuracy of the ageing of trade receivables to supporting documents; – With the assistance of our internal valuation experts, testing the calculation of the historical loss rate and evaluating the reasonableness of the forward-looking adjustments made to reflect current and forecast future economic conditions; and – Testing the calculation of expected credit loss provisions applying the provision rates to the age categories of the trade receivables outstanding at the reporting date.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Tam Shing Yu.

RSM Hong Kong
Certified Public Accountants
Hong Kong

27 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
Revenue	7	**916,820**	669,727
Cost of goods sold		**(455,151)**	(329,661)
Sales related tax and auxiliary charges		**(6,334)**	(5,443)
Gross profit		**455,335**	334,623
Other income and other gains and losses	8	**18,301**	7,221
Impairment losses for trade and other receivables, net		**(3,505)**	(2,743)
Selling expenses		**(56,687)**	(34,440)
Administrative and other operating expenses		**(128,024)**	(102,116)
Profit from operations		**285,420**	202,545
Finance costs	10	**(10,952)**	(11,438)
Profit before tax		**274,468**	191,107
Income tax expense	11	**(37,958)**	(21,991)
Profit for the year	12	**236,510**	169,116
Attributable to:			
Owners of the Company		**223,788**	162,026
Non-controlling interests		**12,722**	7,090
		236,510	169,116
Earnings per share	16		
– Basic (RMB)		**0.22**	0.16
– Diluted (RMB)		**0.22**	0.16

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
Profit for the year	236,510	169,116
Other comprehensive income:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	(3)	(31)
Other comprehensive income for the year, net of tax	(3)	(31)
Total comprehensive income for the year	236,507	169,085
Attributable to:		
Owners of the Company	223,785	161,995
Non-controlling interests	12,722	7,090
	236,507	169,085

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**759,364**	571,196
Right-of-use assets	18	**63,256**	66,237
Deposits paid for acquisition of property, plant and equipment		**184**	184
Deferred tax assets	31	**1,190**	1,190
Total non-current assets		**823,994**	638,807
Current assets			
Inventories	20	**120,130**	101,815
Trade receivables	21	**308,119**	237,979
Deposits, prepayments and other receivables	22	**21,900**	20,309
Restricted bank deposits	23	**—**	40,000
Bank and cash balances	23	**1,882,727**	1,565,463
Total current assets		**2,332,876**	1,965,566
TOTAL ASSETS		**3,156,870**	2,604,373

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	24	**99,319**	99,319
Reserves	26	**2,258,121**	2,070,170
		2,357,440	2,169,489
Non-controlling interests		**185,886**	173,164
		2,543,326	2,342,653
LIABILITIES			
Non-current liabilities			
Bank loans and other borrowings	27	**130,940**	—
Convertible loan	28	**294,217**	—
Lease liabilities	29	**66**	1,401
Deferred revenue	30	**2,455**	3,903
Deferred tax liabilities	31	**4,703**	1,369
Total non-current liabilities		**432,381**	6,673
Current liabilities			
Bank loans and other borrowings	27	**72,373**	157,889
Derivative component of convertible loan	28	**5,783**	—
Lease liabilities	29	**211**	629
Trade payables	32	**23,551**	37,563
Accruals and other payables	33	**74,178**	56,520
Contract liabilities	34	**13**	13
Deferred revenue	30	**1,448**	1,448
Current tax liabilities		**3,606**	985
Total current liabilities		**181,163**	255,047
TOTAL EQUITY AND LIABILITIES		**3,156,870**	2,604,373

Approved by the Board of Directors on 27 March 2023 and are signed on its behalf by:

SU Ertian
Director

ZHOU Fangchao
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Merger reserve RMB'000	Foreign currency translation reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	12,342	—	726,299	137,549	16	45,500	259,533	1,181,239	166,074	1,347,313
Profit for the year	—	—	—	—	—	—	162,026	162,026	7,090	169,116
Other comprehensive income	—	—	—	—	(31)	—	—	(31)	—	(31)
Total comprehensive income for the year	—	—	—	—	(31)	—	162,026	161,995	7,090	169,085
Transactions with owners in their capacity as owners:										
Transfer of statutory reserve	—	—	—	—	—	15,278	(15,278)	—	—	—
Issue of share capital under the Capitalisation Issue (note 24(a))	60,402	(60,402)	—	—	—	—	—	—	—	—
Issue of share capital under Global Offering (note 24(b))	24,161	726,365	—	—	—	—	—	750,526	—	750,526
Issue of share capital under Over-allotment (note 24(c))	2,414	73,315	—	—	—	—	—	75,729	—	75,729
	86,977	739,278	—	—	—	15,278	(15,278)	826,255	—	826,255
At 31 December 2021	99,319	739,278	726,299	137,549	(15)	60,778	406,281	2,169,489	173,164	2,342,653
At 1 January 2022	**99,319**	**739,278**	**726,299**	**137,549**	**(15)**	**60,778**	**406,281**	**2,169,489**	**173,164**	**2,342,653**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**223,788**	**223,788**	**12,722**	**236,510**
Other comprehensive income	**—**	**—**	**—**	**—**	**(3)**	**—**	**—**	**(3)**	**—**	**(3)**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**(3)**	**—**	**223,788**	**223,785**	**12,722**	**236,507**
Transactions with owners in their capacity as owners:										
Transfer of statutory reserve	**—**	**—**	**—**	**—**	**—**	**17,079**	**(17,079)**	**—**	**—**	**—**
Dividend paid (note 15)	**—**	**(35,834)**	**—**	**—**	**—**	**—**	**—**	**(35,834)**	**—**	**(35,834)**
	—	**(35,834)**	**—**	**—**	**—**	**17,079**	**(17,079)**	**(35,834)**	**—**	**(35,834)**
At 31 December 2022	**99,319**	**703,444**	**726,299**	**137,549**	**(18)**	**77,857**	**612,990**	**2,357,440**	**185,886**	**2,543,326**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**274,468**	191,107
Adjustments for:			
Finance costs		**10,952**	11,438
Interest income		**(15,403)**	(3,228)
Depreciation on property, plant and equipment		**37,359**	25,560
Depreciation on right-of-use assets		**1,668**	1,996
Amortisation of deferred revenue		**(1,448)**	(2,136)
Impairment losses for trade and other receivables, net		**3,505**	2,743
Gain on disposal of property, plant and equipment		**(6)**	—
Gain on termination of a lease contract		**(176)**	—
Net foreign exchange losses		**3,453**	103
Operating profit before working capital changes		**314,372**	227,583
Increase in inventories		**(18,315)**	(26,444)
Increase in trade receivables		**(73,907)**	(48,771)
(Increase)/decrease in deposits, prepayments and other receivables		**(1,360)**	3,300
(Decrease)/increase in trade payables		**(14,012)**	15,672
Increase in accruals and other payables		**16,110**	14,464
Decrease in contract liabilities		**—**	(433)
Cash generated from operations		**222,888**	185,371
Income tax paid		**(32,003)**	(26,488)
Interest on lease liabilities		**(20)**	(129)
Interest paid		**(9,384)**	(11,309)
Net cash generated from operating activities		**181,481**	147,445
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(225,545)**	(110,586)
Proceeds from disposals of property, plant and equipment		**24**	—
Decrease/(increase) in restricted bank deposits		**40,000**	(40,000)
Increase in time deposits with maturities of over three months but less than one year		**(160,000)**	—
Interest received		**15,403**	3,228
Net cash used in investing activities		**(330,118)**	(147,358)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loans and other borrowings raised		**177,235**	13,087
Repayment of bank loans and other borrowings		**(135,240)**	(20,837)
Principal elements of lease payments		**(233)**	(577)
Proceeds from issue of convertible loan		**300,000**	—
Dividend paid to owners of the Company		**(35,834)**	—
Proceeds from issue of share capital		**—**	826,255
Net cash generated from financing activities		**305,928**	817,928
NET INCREASE IN CASH AND CASH EQUIVALENTS		**157,291**	818,015
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(27)**	(134)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**1,565,463**	747,582
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**1,722,727**	1,565,463
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	23	**1,882,727**	1,565,463
Less: Time deposits with maturities of over three months but less than one year		**(160,000)**	—
		1,722,727	1,565,463

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 set out in note 19 to the consolidated financial statements.

2. BASIS OF PREPARATION

These 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. These 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). Significant accounting policies adopted by the the Company and its subsidiaries (collectively the "Group") are disclosed below.

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 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 these 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 2022 for the preparation of the consolidated financial statements:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 16 (March 2021)	COVID-19 Related Rent Concessions beyond 30 June 2021
Annual Improvements Project	Annual Improvements to IFRS Standards 2018-2020

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

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

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	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 IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 - Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to IFRS 16 - Lease Liability in a Sales and Leaseback	1 January 2024
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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Consolidation *(continued)*

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(b) Separate financial statements

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss. Cost includes direct attributable cost of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Impairment testing of the investment in a subsidiary is required upon receiving a dividend from this investment if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all foreign operations (none of which has the currency of hyperinflationary economy) that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Foreign currency translation *(continued)*

(iii) Translation on consolidation *(continued)*

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Property, plant and equipment

Property, plant and equipment are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The useful lives are as follows:

Buildings	20 years
Plant and machinery	10 years
Motor vehicles	5 years
Office equipment	3 - 5 years
Leasehold improvements	3 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group as a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the group entities, which do not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Leases *(continued)*

The Group as a lessee *(continued)*

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16. In such cases, the Group took advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. The costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 4(w) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments held by the Group are classified into amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

(j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for credit losses.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(n) Convertible loans

Convertible loans which entitle the holder to convert the loans into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consisting of a liability and a derivative component. At the date of issue, the fair value of the derivative component is determined using an option pricing model; this amount is carried as a derivative liability that is subsequently measured at FVTPL until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and derivative components of the convertible loans based on the allocation of proceeds to the liability and derivative components on initial recognition. The portion related to the derivative component is expensed immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(q) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sale of goods is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(s) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(t) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Taxation *(continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends either to settle its current tax assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

(v) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated pro rata amongst the assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(w) Impairment of financial assets

The Group recognises a loss allowance for ECL on trade and other receivables, restricted bank deposits and bank and cash balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Impairment of financial assets *(continued)*

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Impairment of financial assets *(continued)*

Significant increase in credit risk *(continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) the financial instrument has a low risk of default,

(ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Impairment of financial assets *(continued)*

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Impairment of financial assets *(continued)*

Measurement and recognition of ECL *(continued)*

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(x) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(y) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

In applying the Group's accounting policies, which are described in note 4, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Significant increase in credit risk

As explained in note 4, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

(b) Determining the lease term

In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation.

Generally, periods covered by an extension option in other properties leases have not been included in the lease liability because the Group could replace the assets without significant cost or business disruption. See note 18 for further information.

The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. During the current financial year, no lease term has been reassessed.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, approximately RMB37,958,000 (2021: RMB21,991,000) of income tax was charged to profit or loss based on the estimated profit.

(b) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

The carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2022 were approximately RMB759,364,000 (2021: RMB571,196,000) and RMB63,256,000 (2021: RMB66,237,000) respectively.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(c) Impairment of trade receivables

The management of the Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2022, the carrying amount of trade receivables was approximately RMB308,119,000 (net of allowance for doubtful debts of RMB10,990,000) (2021: RMB237,979,000 (net of allowance for doubtful debts of RMB7,223,000)).

(d) Allowance for slow-moving inventories and net realisable value of inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. No allowance for slow-moving inventories was made for the year ended 31 December 2022 (2021: Nil).

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer's taste and competitor's actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period.

(e) Fair value of derivative component

As disclosed in note 28 to the consolidated financial statements, the fair value of the derivative component of the convertible loan at the date of issue and the end of the reporting period were determined using option pricing models. Application of option pricing models requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, the expected life of the derivative component, the expected volatility of the share prices of the Company and the potential dilution in the share prices of the Company. Where the estimation of these factors is different from those previously estimated, such differences will impact the fair value gain or loss on the derivative component in the period in which such determination is made.

The carrying amount of the derivative financial liabilities as at 31 December 2022 was approximately RMB5,783,000 (2021: Nil).

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2022, if the RMB had weakened 5 per cent against Hong Kong dollars ("HK$") with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB2,621,000 lower (2021: RMB1,566,000 higher), arising mainly as a result of the net foreign exchange loss (2021: gain) on bank and cash balances and other borrowings denominated in HK$. If the RMB had strengthened 5 per cent against HK$ with all other variables held constant, consolidated profit after tax for the year would have been RMB2,621,000 higher (2021: RMB1,566,000 lower), arising mainly as a result of the net foreign exchange gain (2021: loss) on bank and cash balances and other borrowings denominated in HK$.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks with acceptable credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which expose the Group to credit risk.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk *(continued)*

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30-180 days from the date of billing. Debtors with balances that are more than 90-180 days past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2022:

	2022		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	3.04%	316,080	9,609
1 - 90 days past due	9.30%	1,817	169
91- 365 days past due	N/A	—	—
Over 1 year past due	100%	1,212	1,212
		319,109	10,990

6. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk *(continued)*

Trade receivables *(continued)*

	2021		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	2.42%	243,892	5,915
1 - 90 days past due	N/A	—	—
91- 365 days past due	100%	56	56
Over 1 year past due	100%	1,254	1,252
		245,202	7,223

Expected loss rates are based on actual loss experience over the past 1 (2021: 1) year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance for trade receivables during the year is as follows:

	2022 RMB'000	2021 RMB'000
At 1 January	7,223	4,938
Impairment losses recognised for the year	3,824	2,576
Reversal of impairment loss for the year	(57)	(291)
At 31 December	10,990	7,223

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance during 2022:

– origination of new trade receivables net of those settled resulted in a net increase in loss allowance of approximately RMB3,767,000.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk *(continued)*

Financial assets at amortised cost

All of the Group's financial instruments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. Instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Financial assets at amortised cost include deposits and other receivables.

Movement in the loss allowance for other receivables during the year is as follows:

	2022 RMB'000	2021 RMB'000
At 1 January	521	63
Impairment losses recognised for the year	—	458
Reversal of impairment loss for the year	(262)	—
At 31 December	259	521

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Weighted average interest rate %	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2022						
Trade payables		23,551	–	–	23,551	23,551
Accruals and other payables		74,178	–	–	74,178	74,178
Bank loans and other borrowings (note)						
– fixed rate	5.62%	81,124	132,960	–	214,084	203,313
Convertible loan	4.03%	10,500	10,500	321,000	342,000	294,217
Lease liabilities	5.12%	220	42	32	294	277
		189,573	143,502	321,032	654,107	595,536

6. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity risk *(continued)*

	Weighted average interest rate %	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2021						
Trade payables		37,563	–	–	37,563	37,563
Accruals and other payables		56,520	–	–	56,520	56,520
Bank loans and other borrowings (note)						
– fixed rate	6.38	168,773	–	–	168,773	156,389
– variable rate	8.85	1,633	–	–	1,633	1,500
Lease liabilities	4.56	724	725	757	2,206	2,030
		265,213	725	757	266,695	254,002

Note: Other borrowings with a repayment on demand clause are included in the 'on demand or less than 1 year' time band in the above maturity analysis. As at 31 December 2022 and 31 December 2021, the aggregate undiscounted principal amounts of these other borrowings amounted to approximately RMB69,873,000 and RMB22,649,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the counterparties will exercise their discretionary rights to demand immediate repayment. The directors believe that such other borrowings will be repaid two to three years (2021: three to four years) after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately RMB71,755,000 (2021: RMB22,806,000).

6. FINANCIAL RISK MANAGEMENT *(continued)*

(d) Interest rate risk

Certain of the Group's bank loans and other borrowings bear interest at fixed interest rates and therefore are subject to fair value interest rate risk.

The Group's exposure to interest-rate risk arises from its bank deposits and certain of the Group's bank loans and other borrowings. These deposits and bank loans and other borrowings bear interests at variable rates that varied with the then prevailing market condition.

At 31 December 2022, it is estimated that a general increase/(decrease) of 100 basis points in interest rates, with all other variables held constant, would have increased/(decreased) the Group's profit after tax for the year as follows:

	2022 RMB'000	2021 RMB'000
Increase/(decrease) in interest rates		
100 basis points	**14,820**	10,671
(100) basis points	**(14,820)**	(10,671)

The sensitivity analysis above indicates the impact on the Group's profit for the year and retained earnings that would have arisen assuming that there is an annualised impact on interest income and expense by a change in interest rates. The analysis has been performed on the same basis thorough the year.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(e) Categories of financial instruments at 31 December

	2022 RMB'000	2021 RMB'000
Financial assets		
Financial assets measured at amortised cost	**2,191,613**	1,844,762
Financial liabilities		
Derivative component of convertible loan	**5,783**	—
Financial liabilities measured at amortised cost	**595,536**	254,002

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. REVENUE

Disaggregation of revenue

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

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products		
Pearlescent pigment products	**850,699**	667,707
Functional mica filler and related products	**66,121**	2,020
Total	**916,820**	669,727

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

8. OTHER INCOME AND OTHER GAINS AND LOSSES

	2022 RMB'000	2021 RMB'000
Interest income on bank deposits	**15,403**	3,228
Government grants (note)	**6,467**	4,697
Net foreign exchange losses	**(3,753)**	(783)
Gain on termination of a lease contract	**176**	—
Gain on disposal of property, plant and equipment	**6**	—
Sundry income	**2**	79
	18,301	7,221

Note: Government grant mainly related to the subsidies and rewards received from the local government authority for research and development and the achievements accomplished by the Group.

9. SEGMENT INFORMATION

The Group has carried on a single business in a single geographical location, which is manufacturing and sales of pearlescent pigments products and functional mica filler and related products in the 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.

The accounting policies of the operating segments are the same as those described in note 4 to consolidated financial statements.

9. SEGMENT INFORMATION *(continued)*

Geographical information:

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

	2022 RMB'000	2021 RMB'000
The PRC	**896,477**	641,657
Others	**20,343**	28,070
Consolidated total	**916,820**	669,727

Revenue from major customers:

There was no customer that had contributed over 10% of the Group's revenue during the year ended 31 December 2022 and 2021.

10. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on bank loans and other borrowings	**10,932**	11,309
Interest expenses on lease liabilities (note 18)	**20**	129
	10,952	11,438

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

11. INCOME TAX EXPENSE

	2022 RMB'000	2021 RMB'000
Current tax		
Provision for the year		
- PRC Enterprise Income Tax	**31,477**	20,599
- Hong Kong Profits Tax	**694**	—
	32,171	20,599
Under-provision in prior year		
- PRC Enterprise Income Tax	**979**	23
- Hong Kong Profits Tax	**1,474**	—
	2,453	23
	34,624	20,622
Deferred tax (note 31)	**3,334**	1,369
	37,958	21,991

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%.

PRC Enterprise Income Tax has been provided at a rate of 25% (2021: 25%) for the year.

France Corporation Tax is calculated at the applicable rate of 25% (2021: 26.5%) in accordance with the relevant law and regulations in France for the year.

The Company is incorporated in the Cayman Islands and subject to Hong Kong Profits Tax.

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 year ended 31 December 2022 and 2021, respectively.

11. INCOME TAX EXPENSE *(continued)*

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% (2021: 15%) during the year, subject to annual review by the relevant authority.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the PRC Enterprise Income Tax rate is as follows:

	2022 RMB'000	2021 RMB'000
Profit before tax	**274,468**	191,107
Tax at the PRC Enterprise Income Tax rate of 25%	**68,617**	47,777
Tax effect of income that is not taxable	**(10,137)**	(5,105)
Tax effect of expenses that are not deductible	**12,389**	4,135
Tax effect of tax concession	**(21,778)**	(13,927)
Tax effect of super-deduction of research and development costs	**(17,927)**	(12,074)
Under-provision in prior year	**2,453**	23
Tax effect of unrecognised tax losses	**2,839**	—
Tax effect of temporary difference not recognised	**(609)**	(207)
PRC withholding tax	**3,334**	1,369
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,223)**	—
Income tax expense	**37,958**	21,991

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

12. PROFIT FOR THE YEAR

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

	2022 RMB'000	2021 RMB'000
Auditor's remuneration		
– audit service	1,650	1,500
– non-audit service	580	550
Depreciation on property, plant and equipment	37,359	25,560
Depreciation on right-of-use assets	1,668	1,996
Research and development expenditures	71,917	48,458
Cost of inventories sold (note)	455,151	329,661
Impairment losses for trade and other receivables, net	3,505	2,743
Listing expenses	—	8,996

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

	2022 RMB'000	2021 RMB'000
Staff costs	46,668	37,542
Depreciation on property, plant and equipment	16,325	14,413

13. EMPLOYEE BENEFITS EXPENSE

	2022 RMB'000	2021 RMB'000
Employee benefits expense:		
Salaries, bonuses and allowances	73,993	55,029
Retirement benefit scheme contributions	17,376	14,345
	91,369	69,374

13. EMPLOYEE BENEFITS EXPENSE *(continued)*

(a) Pensions - defined contribution plans

The Group contributes to defined contribution retirement plans which are available for eligible employees in the PRC and Hong Kong.

Pursuant to the relevant laws and regulations in the PRC, the Group has joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities (the "PRC Retirement Schemes"). The Group makes contributions to the PRC Retirement Schemes at the applicable rates based on the amounts stipulated by the local government organisations. Upon retirement, the local government labour and security authorities are responsible for the payment of the retirement benefits to the retired employees.

The Group operates a Mandatory Provident Fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) for employees employed under the jurisdiction of Hong Kong Employment Ordinance (Chapter 57 of the laws of Hong Kong). The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and the employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000.

During the years ended 31 December 2022 and 2021, the Group had no forfeited contributions under the PRC Retirement Schemes and MPF Scheme and which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 December 2022 and 2021 under the PRC Retirement Scheme and MPF Schemes which may be used by the Group to reduce the contribution payable in future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

13. EMPLOYEE BENEFITS EXPENSE *(continued)*

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2021: four) directors of the Company whose emoluments are reflected in the analysis presented in note 14.

The emoluments of the remaining two (2021: one) individuals are set out below:

	2022 RMB'000	2021 RMB'000
Salaries, bonuses and allowances	1,154	643
Retirement benefit scheme contributions	173	—
	1,327	643

The emoluments fell within the following band:

	Number of individuals	
	2022	2021
Nil to HK$1,000,000	2	1

During the year, there was no arrangement under which a director of the Company waived or agreed to waive any remuneration, and no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2021: Nil).

14. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								
	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Housing allowance RMB'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
Executive directors:									
Mr. SU Ertian (蘇爾田先生)	–	510	318	–	149	–	–	–	977
Mr. ZHENG Shizhan (鄭世展先生) (note vi)	–	281	–	–	46	–	–	–	327
Mr. JIN Zengqin (金增勤先生)	–	409	127	–	79	–	–	–	615
Mr. ZHOU Fangchao (周方超先生)	–	359	290	–	130	–	–	–	779
Ms. ZENG Zhu (曾珠女士) (note i)	–	75	50	–	27	–	–	–	152
Mr. BAI Zhihuan (白植煥先生) (note ii)	–	103	316	–	26	–	–	–	445
Non-executive directors:									
Mr. QIN Min (秦敏先生) (note v)	–	–	–	–	–	–	–	–	–
Mr. HU Yongxiang (胡永祥先生)	–	–	–	–	–	–	–	–	–
Independent Non-executive directors:									
Mr. MAK Hing Keung, Thomas (麥興強先生) (note vii)	104	–	–	–	–	–	–	–	104
Mr. HUI Chi Fung (許之豐先生) (note iii)	50	–	–	–	–	–	–	–	50
Professor HAN Gaorong (韓高榮教授)	155	–	–	–	–	–	–	–	155
Mr. LEUNG Kwai Wah Alex (梁貴華先生)	155	–	–	–	–	–	–	–	155
Total for the year ended 31 December 2022	464	1,737	1,101	–	457	–	–	–	3,759

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' emoluments *(continued)*

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								
	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Housing allowance RMB'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
Executive directors:									
Mr. SU Ertian (蘇爾田先生)	–	536	250	–	40	–	–	–	826
Mr. ZHENG Shizhan (鄭世展先生) (note vi)	–	481	119	–	48	–	–	–	648
Mr. JIN Zengqin (金增勤先生)	–	409	141	–	48	–	–	–	598
Mr. ZHOU Fangchao (周方超先生)	–	400	210	–	40	–	–	–	650
Non-executive directors:									
Mr. QIN Min (秦敏先生) (note v)	–	–	–	–	–	–	–	–	–
Mr. HU Yongxiang (胡永祥先生)	–	–	–	–	–	–	–	–	–
Mr. NG Teck Sim (黃得森先生) (note iv)	–	–	–	–	–	–	–	–	–
Mr. KOK Hoong Chwan (郭宏船先生) (alternate director of Mr. NG Teck Sim) (note iv)	–	–	–	–	–	–	–	–	–
Independent Non-executive directors:									
Mr. MAK Hing Keung, Thomas (麥興強先生) (note vii)	68	–	–	–	–	–	–	–	68
Professor HAN Gaorong (韓高榮教授)	68	–	–	–	–	–	–	–	68
Mr. LEUNG Kwai Wah Alex (梁貴華先生)	68	–	–	–	–	–	–	–	68
Total for the year ended 31 December 2021	204	1,826	720	–	176	–	–	–	2,926

Neither the chief executive nor any of the directors waived any emoluments during the year (2021: Nil).

Notes: (i) Appointed on 24 June 2022
(ii) Appointed on 27 August 2022
(iii) Appointed on 5 September 2022
(iv) Resigned on 29 May 2021
(v) Resigned on 25 April 2022
(vi) Resigned on 20 July 2022
(vii) Resigned on 5 September 2022

14. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

15. DIVIDENDS

	2022 RMB'000	2021 RMB'000
2021 Final of HK3.5 cents (2021: Nil) per ordinary share paid	35,834	—

The board of directors has decided not to declare and pay any final dividend for the year ended 31 December 2022 (2021: HK3.5 cents per ordinary share).

16. EARNINGS PER SHARE

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

	2022 RMB'000	2021 RMB'000
Earnings		
Profit for the purpose of calculating basic and diluted earnings per share	223,788	162,026

	2022 '000	2021 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,019,270	1,019,270
Effect of dilutive potential ordinary shares arising from convertible loan outstanding	241	—
	1,019,511	1,019,270

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Leasehold improvement RMB'000	Total RMB'000
Cost							
At 1 January 2021	256,054	74,760	2,633	9,995	252,097	8,534	604,073
Additions	6,171	6,749	362	331	93,718	3,255	110,586
Transfers	52,060	7,917	—	135	(60,112)	—	—
At 31 December 2021 and 1 January 2022	314,285	89,426	2,995	10,461	285,703	11,789	714,659
Additions	—	11,274	418	3,986	182,741	27,126	225,545
Disposals	—	—	(367)	—	—	—	(367)
Transfers	96,741	46,164	—	—	(164,410)	21,505	—
At 31 December 2022	**411,026**	**146,864**	**3,046**	**14,447**	**304,034**	**60,420**	**939,837**
Accumulated depreciation							
At 1 January 2021	63,872	35,914	2,155	9,048	—	6,914	117,903
Charges for the year	14,069	7,815	136	136	—	3,404	25,560
At 31 December 2021 and 1 January 2022	77,941	43,729	2,291	9,184	—	10,318	143,463
Charges for the year	16,340	10,291	185	280	—	10,263	37,359
Disposals	—	—	(349)	—	—	—	(349)
At 31 December 2022	**94,281**	**54,020**	**2,127**	**9,464**	**—**	**20,581**	**180,473**
Carrying amount							
At 31 December 2022	**316,745**	**92,844**	**919**	**4,983**	**304,034**	**39,839**	**759,364**
At 31 December 2021	236,344	45,697	704	1,277	285,703	1,471	571,196

At 31 December 2022, the carrying amount of property, plant and equipment pledged as security for the Group's bank loans (2021: bank loans and other borrowings) amounted to approximately RMB123,707,000 (2021: RMB95,567,000).

18. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
At 1 January 2021	65,818	2,429	68,247
Depreciation	(1,402)	(594)	(1,996)
Exchange difference	—	(14)	(14)
At 31 December 2021 and 1 January 2022	64,416	1,821	66,237
Additions	—	413	413
Depreciation	(1,402)	(266)	(1,668)
Termination of a lease contract	—	(1,728)	(1,728)
Exchange difference	—	2	2
At 31 December 2022	**63,014**	**242**	**63,256**

Right-of-use assets comprised the leasehold lands in the PRC, and leased properties in Hong Kong and France (2021: PRC and France).

As at 31 December 2022, the carrying amount of right-of-use assets pledged as security for the Group's bank loans amounted to approximately RMB16,032,000 (2021: RMB16,441,000).

Lease liabilities of approximately RMB277,000 (2021: RMB2,030,000) are recognised with related right-of-use assets of approximately RMB242,000 (2021: RMB1,821,000) as at 31 December 2022. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2022 RMB'000	2021 RMB'000
Depreciation on right-of-use assets	**1,668**	1,996
Interest expense on lease liabilities (included in finance costs)	**20**	129
Expenses relating to short-term lease (included in selling expenses)	**3,620**	1,502

Details of total cash outflow for leases is set out in note 35(b).

For both years, the Group leases various offices, warehouses and staff quarter for its operations. Lease contracts are entered into for fixed term of 12 months to 108 months (2021: 6 months to 108 months). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

19. INVESTMENTS IN SUBSIDIARIES

The amounts due from subsidiaries are unsecured, bear interest at 2% to 5% per annum and repayable on demand.

Particulars of the subsidiaries as at 31 December 2022 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ principal country of operation	Authorised capital	Issued/paid up capital	Attributable equity interest of the Group	Principal activities
Generous Fortune Limited (盛富有限公司)	British Virgin Islands	HK$12,590,725.2	HK$12,590,725.2	100% (Direct)	Investment holding
Global New Material (China) Limited (環球新材 (中國) 有限公司)	Hong Kong	N/A	HK$30,000	100% (Indirect)	Investment holding
廣西七色珠光材料股份有限公司 (Chesir Pearl) (note (a))	The PRC	RMB149,561,191	RMB149,561,191	97.19% (Indirect)	Manufacturing and sales of pearlescent pigment products and functional mica filler
上海萬紫千紅珠光效應材料有限公司 (Shanghai Multicolor) (note (b))	The PRC	RMB10,000,000	RMB10,000,000	97.19% (Indirect)	Trading of pearlescent pigment products and functional mica filler
鹿寨七色珠光雲母材料有限公司 (Chesir Luzhai) (note (b))	The PRC	RMB104,927,076	RMB104,927,076	58.35% (Indirect)	Manufacturing and sales of functional mica filler and related products
柳州環球新材料有限責任公司 (note (c))	The PRC	RMB200,000,000	RMB147,178,000	100% (Indirect)	Inactive
Chesir Europe S.A.S	France	EUR50,000	EUR50,000	97.19% (Indirect)	Inactive

Notes:

(a) The subsidiary is a joint stock company established under the laws of the PRC with limited liability.

(b) These subsidiaries are established under the laws of the PRC with limited liability.

(c) The subsidiary is a wholly foreign-owned enterprise established under the laws of the PRC with limited liablity.

19. INVESTMENTS IN SUBSIDIARIES *(continued)*

The following table shows information on a subsidiary that has non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	**Chesir Pearl**	
Principal place of business/country of incorporation	**The PRC/The PRC**	
	2022	**2021**
% of ownership interests/voting rights held by NCI	**2.81%/2.81%**	2.81%/2.81%

	RMB'000	**RMB'000**
Non-current assets	**823,822**	638,807
Current assets	**1,885,349**	1,765,360
Non-current liabilities	**(133,461)**	(5,304)
Current liabilities	**(822,941)**	(872,164)
Net assets	**1,752,769**	1,526,699
Accumulated NCI	**185,886**	173,164

	2022 RMB'000	**2021 RMB'000**
Revenue	**916,820**	669,727
Profit	**226,073**	170,513
Total comprehensive income	**226,073**	170,513
Profit allocated to NCI	**12,722**	7,090
Net cash generated from operating activities	**159,083**	147,351
Net cash used in investing activities	**(330,599)**	(147,472)
Net cash generated from financing activities	**81,504**	621,020
Net (decrease)/increase in cash and cash equivalents	**(90,012)**	620,899

As at 31 December 2022, the bank and cash balances of the Group' subsidiaries in the PRC denominated in RMB amounted to approximately RMB1,581,804,000 (2021: RMB1,551,143,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

20. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	**9,149**	9,899
Work in progress	**72,258**	51,604
Finished goods	**38,723**	40,312
	120,130	101,815

21. TRADE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	**319,109**	245,202
Allowance for doubtful debts	**(10,990)**	(7,223)
	308,119	237,979

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

	2022 RMB'000	2021 RMB'000
0 to 90 days	**264,228**	190,817
91 to 180 days	**43,180**	47,160
181 to 365 days	**711**	—
Over 365 days	**—**	2
	308,119	237,979

21. TRADE RECEIVABLES *(continued)*

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2022 RMB'000	2021 RMB'000
RMB	**307,135**	230,940
United States dollars ("US$")	**984**	7,039
Total	**308,119**	237,979

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Deposits	**362**	980
Prepayments	**21,132**	18,977
Value-added tax recoverable	**1**	12
Other receivables	**405**	340
	21,900	20,309

23. RESTRICTED BANK DEPOSITS AND BANK AND CASH BALANCES

	2022 RMB'000	2021 RMB'000
Restricted bank deposits (note (a))	**—**	40,000
Time deposits with maturities of over three months but less than one year (note (b))	**160,000**	—
Cash and cash equivalents	**1,722,727**	1,565,463
	1,882,727	1,605,463

Notes:

(a) The Group's restricted bank deposits as at 31 December 2021 represented deposits related to the intra-group borrowings from Global New Material (China) Limited to Chesir Pearl that are pending the bank in the PRC to complete the relevant procedures for the transfer of the fund. The fund was successfully transferred to Chesir Pearl in March 2022.

(b) These time deposits were made for six months (2021: N/A) at interest rates of 1.82% (2021: N/A) per annum.

23. RESTRICTED BANK DEPOSITS AND BANK AND CASH BALANCES *(continued)*

The carrying amounts of the Group's restricted bank deposits and bank and cash balances are denominated in the following currencies:

	2022 RMB'000	2021 RMB'000
RMB	**1,881,811**	1,551,155
US$	**592**	1,420
Euro ("EUR")	**208**	103
HK$	**116**	52,785
	1,882,727	1,605,463

As at 31 December 2022, the bank and cash balances of the Group denominated in RMB amounted to approximately RMB1,881,811,000 (2021: RMB1,551,155,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. SHARE CAPITAL

	Number of shares issued	Authorised HK$'000	Issued and fully paid RMB'000
Share capital of the Company in ordinary shares of HK$0.1 each			
At 1 January 2021	145,336,931	8,000,000	12,342
Share issued under the Capitalisation Issue (note (a))	726,684,655	—	60,402
Share issued under Global Offering (note (b))	290,674,000	—	24,161
Share issued under Over-allotment (note (c))	29,068,000	—	2,414
At 31 December 2021, 1 January 2022 and 31 December 2022	1,191,763,586	8,000,000	99,319

24. SHARE CAPITAL *(continued)*

Notes:

(a) Pursuant to the written resolutions approved by the shareholders of the Company on 2 June 2021 and the resolutions of the directors of the Company passed on 2 June 2021, subject to the conditions set forth therein (as referred to in the paragraphs under "A. Further information about our Group — 4. Written resolutions approved by our Shareholders on 2 June 2021" in Appendix V "Statutory and General Information" to the prospectus of the Company dated 30 June 2021), the directors of the Company are authorised to allot and issue a total of 726,684,655 ordinary shares of the Company (the "Capitalisation Issue") credited as fully paid at par to the shareholders of the Company whose names appear on the register of members of the Company as of the date of the passing of the relevant resolution approving the Capitalisation Issue, on a pro rata basis, by way of capitalisation of the sum of HK$72,668,465.5 standing to the credit of the share premium account of the Company, and the ordinary shares of the Company to be allotted and issued pursuant to this resolution shall rank equally in all respects with the existing issued ordinary shares of the Company. The Capitalisation Issue were allotted and issued on 16 July 2021.

(b) On 15 July 2021, 290,674,000 ordinary shares of the Company of par value of HK$0.1 each were issued at a price of HK$3.25 in connection with the Global Offering of the Company for a total proceeds of approximately RMB750,526,000, net of listing expenses of approximately RMB34,700,000, of which HK$29,067,000 (equivalent to approximately RMB24,161,000) were credited to the Company's share capital and the remaining proceeds of approximately RMB726,365,000 were credited to the share premium account. The shares of the Company have been listed on the Main Board of the Stock Exchange since 16 July 2021.

(c) On 5 August 2021, 29,068,000 ordinary shares of the Company of par value of HK$0.1 each were issued at a price of HK$3.25 in connection with the Global Offering of the Company under the Over-allotment Option for a total proceeds of approximately RMB75,729,000, net of listing expenses of approximately RMB2,747,000, of which HK$2,907,000 (equivalent to approximately RMB2,414,000) were credited to the Company's share capital and the remaining proceeds of approximately RMB73,315,000 were credited to the share premium account.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

24. SHARE CAPITAL *(continued)*

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Total debt comprises bank loans and other borrowings, convertible loan and lease liabilities. Adjusted capital comprises all components of equity (i.e. share capital, retained earnings and other reserves etc.) except for non-controlling interests.

During 2022, the Group's strategy, which was unchanged from 2021, was to maintain the debt-to-adjusted capital ratio at a level of industry average.

The debt-to-adjusted capital ratios at 31 December 2022 and 2021 were as follows:

	2022 RMB'000	2021 RMB'000
Total debt	**497,807**	159,919
Less: cash and cash equivalents	**(1,722,727)**	(1,565,463)
Net cash	**(1,224,920)**	(1,405,544)
Total equity	**2,357,440**	2,169,489
Debt-to-adjusted capital ratio	**N/A**	N/A

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There were no breaches of financial covenants of any interest-bearing borrowings for the years ended 31 December 2022 and 2021.

25. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2022 RMB'000	2021 RMB'000
Non-current assets			
Right-of-use assets		172	—
Investment in a subsidiary		296,393	296,393
Total non-current assets		296,565	296,393
Current assets			
Prepayments		261	201
Amount due from subsidiaries		850,953	787,118
Bank and cash balances		300,104	52,770
Total current assets		1,151,318	840,089
TOTAL ASSETS		1,447,883	1,136,482
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	24	99,319	99,319
Reserves	25(b)	975,324	1,016,282
Total equity		1,074,643	1,115,601
Non-current liabilities			
Convertible loan		294,217	—
Current liabilities			
Other borrowings		67,993	20,879
Derivative component of convertible loan		5,783	—
Lease liabilities		177	—
Accruals and other payables		2,902	2
Current tax liabilities		2,168	—
Total current liabilities		79,023	20,881
TOTAL EQUITY AND LIABILITIES		1,447,883	1,136,482

Approved by the Board of Directors on 27 March 2023 and are signed on its behalf by:

SU Ertian
Director

ZHOU Fangchao
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

25. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

(b) Reserve movement of the Company

	Share premium RMB'000	Special reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	—	284,381	(9,707)	274,674
Issue of share capital under the Capitalisation Issue (note 24(a))	(60,402)	—	—	(60,402)
Issue of share capital under Global Offering (note 24(b))	726,365	—	—	726,365
Issue of share capital under Over-allotment (note 24(c))	73,315	—	—	73,315
Total comprehensive income for the year	—	—	2,330	2,330
At 31 December 2021 and 1 January 2022	739,278	284,381	(7,377)	1,016,282
Total comprehensive income for the year	—	—	(5,124)	(5,124)
Dividend paid (note 15)	(35,834)	—	—	(35,834)
At 31 December 2022	**703,444**	**284,381**	**(12,501)**	**975,324**

26. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

26. RESERVES *(continued)*

(b) Nature and purpose of reserves

(i) Share premium

The share premium represents the differences between the proceed from issue of shares and the nominal amount of the shares issued by the Company.

(ii) Merger reserve

Merger reserve arose as a result of the group reorganisation upon incorporation of the Company on 8 June 2018. The share capital of Chesir Pearl was transferred to merger reserve and share capital reflected that of the Company.

(iii) Other reserve

Other reserve arose as a result of excess of capital contribution over the share capital of the subsidiaries.

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(c) to the consolidated financial statements.

(v) Statutory surplus reserve

The statutory surplus reserve, which is non-distributable, is appropriated from the profit after tax of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

(vi) Special reserve

Special reserve represents the difference between the consideration and the share capital of a subsidiary acquired under common control pursuant to the group reorganisation.

27. BANK LOANS AND OTHER BORROWINGS

	2022 RMB'000	2021 RMB'000
Secured bank loans	133,440	133,740
Other borrowings		
– Secured	—	1,500
– Unsecured	69,873	22,649
	203,313	157,889

The bank loans and other borrowings are repayable as follows:

	2022 RMB'000	2021 RMB'000
Within one year	2,500	135,240
More than one year, but not exceeding two years	130,940	—
	133,440	135,240
Portion of other borrowings that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	69,873	22,649
	203,313	157,889
Less: Amount due for settlement within 12 months (shown under current liabilities)	(72,373)	(157,889)
Amount due for settlement after 12 months	130,940	—

The carrying amounts of the Group's bank loans and other borrowings are denominated in the following currencies:

	2022 RMB'000	2021 RMB'000
RMB	133,440	135,257
HK$	61,064	14,413
US$	8,809	8,219
	203,313	157,889

27. BANK LOANS AND OTHER BORROWINGS *(continued)*

The average interest rates at 31 December 2022 were as follows:

	2022	2021
Secured bank loans	**6.50% per annum**	7.17% per annum
Other borrowings		
– Secured	**N/A**	8.85% per annum
– Unsecured	**3.95% per annum**	2.00% per annum

Bank loans and other borrowings of approximately RMB203,313,000 (2021: RMB156,389,000) as at 31 December 2022 are arranged at fixed interest rates and expose the Group to fair value interest rate risk. The remaining balances of bank loans and other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The Group's secured bank loans of approximately RMB133,440,000 (2021: RMB133,740,000) are secured by the Group's property, plant and equipment (note 17) and right-of-use assets (note 18) and also secured by land and buildings owned by a substantial shareholder (who also is an executive director of the Company) of the Company and the close family members of this substantial shareholder of the Company, the corporate guarantees from a corporate substantial shareholder of the Company, together with personal guarantees of this substantial shareholder and an executive director of the Company and the close family members of this substantial shareholder of the Company.

The Group's secured other borrowings of approximately RMB1,500,000 as at 31 December 2021 are secured by the Group's property, plant and equipment (note 17).

28. CONVERTIBLE LOAN

On 28 December 2022, the Company entered into a subscription agreement with an independent third party in relation to subscribe for 3.5% coupon convertible bonds in the aggregate principal amount up to RMB500,000,000 in two tranches. The unlisted, guaranteed and unsecured convertible loan ("Tranche A Convertible Loan") was issued by the Company on 30 December 2022 with a nominal value of RMB300,000,000.

The loan is convertible at the option of the holder into fully paid ordinary shares with HK$0.10 each of the Company on or after the later of (i) the first day of the fortieth month from the date of issue; and (ii) the date on which the listing of, and permission to deal in, the conversion shares falling to be issued upon exercise of the conversion rights attached to the convertible loan having been granted by the Listing Committee of the Stock Exchange up to and including ending on the date immediately before the maturity date at an initial conversion price of HK$7.6 per share.

If the Tranche A Convertible Loan is not converted, it will be redeemed at par on 30 December 2026. It has coupon rate of 3.5% per annum on the principal amount outstanding and interest will be paid annually in arrears until that settlement date.

The convertible loan is guaranteed by a substantial shareholder of the Company and a subsidiary of the Company.

The net proceeds received from the issue of the convertible loan have been split between the liability and derivative components, as follows:

	2022 RMB'000
Nominal value of convertible loan issued	300,000
Derivative component	(5,783)
Liability component at date of issue and as at 31 December 2022	294,217
Derivative component at date of issue and as at 31 December 2022	5,783

The interest charged for the year is calculated by applying an effective interest rate of 4.03% per annum to the liability component for the 12 month period since the bond was issued.

The directors estimate the fair value of the liability component of the convertible loan at 31 December 2022 to be approximately RMB294,217,000. This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

28. CONVERTIBLE LOAN *(continued)*

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

	At date of issue and 31 December 2022
Weighted average share price	HK$3.96
Weighted average exercise price	HK$7.60
Expected volatility	46.63%
Expected life	4 years
Risk free rate	3.78%
Expected dividend yield	0.71%

Information about level 3 fair value measurements

	Valuation techniques	Significant unobservable input	Range	Effect on fair value for increase of inputs
Derivative component embedded in convertible loan	Binomial option pricing model	Expected volatility	46.63%	Increase

The fair value of derivative component embedded in convertible loan is determined using binomial option pricing model and the significant unobservable input in the fair value measurement is expected volatility. As at 31 December 2022, it is estimated that with all other variables held constant, an increase or decrease in the expected volatility by 10% would have decreased or increased the Group's profit by approximately RMB1,259,000 or RMB637,000 respectively.

29. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Within one year	220	724	211	629
More than one year, but not exceeding two years	42	725	38	667
More than two years, but not more than five years	32	757	28	734
	294	2,206	277	2,030
Less: Future finance charges	(17)	(176)	N/A	N/A
Present value of lease obligations	277	2,030	277	2,030
Less: Amount due for settlement within 12 months (shown under current liabilities)			(211)	(629)
Amount due for settlement after 12 months			66	1,401

The incremental borrowing rates applied to lease liabilities range from 3.05% to 9.13% (2021: from 5.67% to 9.13%).

The carrying amounts of the Group's lease liabilities are denominated in the following currencies:

	2022 RMB'000	2021 RMB'000
RMB	—	1,904
HK$	177	—
EUR	100	126
	277	2,030

30. DEFERRED REVENUE

	2022 RMB'000	2021 RMB'000
Government grants	3,903	5,351

	2022 RMB'000	2021 RMB'000
Analysed as:		
Current liabilities	1,448	1,448
Non-current liabilities	2,455	3,903
	3,903	5,351

The deferred revenue arises in respect of the Group's government grants.

The deferred revenue arises as a result of the benefits received from government grants received during the year ended 31 December 2014, 2015, 2016 and 2018.

31. DEFERRED TAX

The following are the deferred tax liabilities and assets recognised by the Group.

Deferred tax liabilities

It represents the withholding tax for interest income receivable from PRC subsidiaries.

	Withholding tax RMB'000
At 1 January 2021	—
Charge to profit or loss for the year	1,369
At 31 December 2021 and 1 January 2022	1,369
Charge to profit or loss for the year	3,334
At 31 December 2022	4,703

31. DEFERRED TAX *(continued)*

Deferred tax assets

	Doubtful debts RMB'000
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	1,190

At the end of the reporting period the Group has unused tax losses of approximately RMB32,009,000 (2021: RMB16,082,000) available for offset against future profits. No deferred tax assets have been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB744,000 (2021: RMB744,000), RMB706,000 (2021: RMB706,000), RMB1,063,000 (2021: RMB1,063,000), and RMB2,488,000 (2021: Nil) that will expire in 2024, 2025, 2026, and 2027 respectively. Other tax losses may be carried forward indefinitely.

32. TRADE PAYABLES

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

	2022 RMB'000	2021 RMB'000
0 to 90 days	**22,509**	36,695
91 to 180 days	**573**	226
181 to 365 days	**104**	374
Over 365 days	**365**	268
	23,551	37,563

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2022 RMB'000	2021 RMB'000
RMB	**21,152**	35,386
US$	**2,399**	2,177
	23,551	37,563

33. ACCRUALS AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Accruals	42,002	29,025
Construction fee payables	7,163	10,049
Other payables	25,013	17,446
	74,178	56,520

34. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Deposit received in advance	13	13

Movements in contract liabilities:

	2022 RMB'000	2021 RMB'000
At 1 January	13	446
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the year	—	(446)
Increase in contract liabilities as a result of deposit received in advance	—	13
At 31 December	13	13

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2022 RMB'000	Entering into new lease RMB'000	Cash flows RMB'000	Interest expenses/ lease charges RMB'000	Termination RMB'000	Recognition of derivative component of convertible loan RMB'000	Exchange difference RMB'000	31 December 2022 RMB'000
Bank loans and othe borrowings (note 27)	157,889	—	41,995	—	—	—	3,429	203,313
Convertible loan (note 28)	—	—	300,000	—	—	(5,783)	—	294,217
Lease liabilities (note 29)	2,030	382	(253)	20	(1,904)	—	2	277
	159,919	382	341,742	20	(1,904)	(5,783)	3,431	497,807

	1 January 2021 RMB'000	Cash flows RMB'000	Interest expenses/ lease charges RMB'000	Exchange difference RMB'000	31 December 2021 RMB'000
Bank loans and othe borrowings (note 27)	165,639	(19,059)	11,309	—	157,889
Lease liabilities (note 29)	2,621	(706)	129	(14)	2,030
	168,260	(19,765)	11,438	(14)	159,919

(b) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2022 RMB'000	2021 RMB'000
Within operating cash flows	3,640	1,631
Within financing cash flows	233	577
	3,873	2,208

The above amounts related to the lease rental paid during the years ended 31 December 2022 and 2021.

36. CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities (2021: Nil).

37. CAPITAL COMMITMENTS

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

	2022 RMB'000	2021 RMB'000
Property, plant and equipment	441,876	635,046

38. LEASE COMMITMENTS

The Group as lessee

The Group regularly entered into short-term leases for office and staff quarter. As at 31 December 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 18.

39. EVENTS AFTER THE REPORTING PERIOD

On 27 January 2023, the Group entered into three agreements with two independent third parties and CQV Co. Ltd. ("CQV") to acquire certain shares of CQV as disclosed in the Company's announcement dated 27 January 2023.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five years, as extracted from the published audited financial statements, is set forth below.

RESULTS

	Year ended 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	916,820	669,727	569,113	440,583	318,244
Cost of goods sold	(455,151)	(329,661)	(280,046)	(218,222)	(166,917)
Sales related tax and auxiliary charges	(6,334)	(5,443)	(5,002)	(4,084)	(4,380)
Gross profit	455,335	334,623	284,065	218,277	146,947
Profit before tax	274,468	191,107	177,821	125,301	87,746
Income tax expense	(37,958)	(21,991)	(24,960)	(17,968)	(6,382)
Profit for the year	236,510	169,116	152,861	107,333	81,364
Profit attributable to:					
Owners of the Company	223,788	162,026	148,172	102,806	77,400
Non-controlling interests	12,722	7,090	4,689	4,527	3,964
	236,510	169,116	152,861	107,333	81,364

ASSETS AND LIABILITIES

	As of 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Total assets	3,156,870	2,604,373	1,594,304	1,177,741	745,113
Total liabilities	613,544	261,720	246,991	304,148	290,154
	2,543,326	2,342,653	1,347,313	873,593	454,959
Equity:					
Equity attributable to equity holders of the Company	2,357,440	2,169,489	1,181,239	712,208	298,101
Non-controlling interests	185,886	173,164	166,074	161,385	156,858
	2,543,326	2,342,653	1,347,313	873,593	454,959