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**GLOBAL NEW MATERIAL INTERNATIONAL HOLDINGS LIMITED**  
**环球新材国际控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 06616)**

**DISCLOSEABLE TRANSACTION**  
**DEEMED DISPOSAL OF EQUITY INTEREST IN CHESIR LUZHAI**

**THE CAPITAL INCREASE AGREEMENT**

The Board is pleased to announce that on 20 November 2023, Chesir Luzhai, an indirect non-wholly owned subsidiary of the Company, and the Investor entered into the Capital Increase Agreement, pursuant to which the Investor has conditionally agreed to inject RMB1,000,000,000 in cash into Chesir Luzhai, of which RMB26,231,769 will be contributed to the increase in its registered capital and RMB973,768,231 will be contributed to its capital reserve. Upon Completion, the registered capital of Chesir Luzhai will be increased from RMB104,927,076 to RMB131,158,845, and Chesir Luzhai will be held as to 80% by its existing equity interest holders as at the date of this announcement and 20% by the Investor.

Immediately upon Completion, the effective equity interest of the Group in Chesir Luzhai will be diluted from approximately 65.28% to approximately 52.22%. Accordingly, upon Completion, Chesir Luzhai will remain as an indirect non-wholly owned subsidiary of the Company and its financial results will continue to be consolidated in the Group's accounts.

**LISTING RULES IMPLICATIONS**

Upon Completion, the effective equity interest of the Group in Chesir Luzhai will be diluted from approximately 65.28% to approximately 52.22%. Therefore, the Capital Increase will constitute a deemed disposal by the Group of its equity interest in Chesir Luzhai pursuant to Rule 14.29 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Capital Increase and the Deemed Disposal is more than 5% but less than 25%, the Capital Increase and the Deemed Disposal constitute a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

**Completion of the Capital Increase Agreement is subject to the satisfaction of conditions precedent. Accordingly, the Capital Increase Agreement may or may not proceed to Completion. Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the Shares.**

## **THE CAPITAL INCREASE AGREEMENT**

The principal terms of the Capital Increase Agreement are summarised below:

**Date:** 20 November 2023

**Parties:** (i) Chesir Luzhai; and

(ii) the Investor.

(each a “**Party**”, and collectively, the “**Parties**”)

### **Capital Increase**

As at the date of this announcement, the existing equity interest holders of Chesir Luzhai hold the entire registered capital of RMB104,927,076 of Chesir Luzhai.

Pursuant to the Capital Increase Agreement, the Investor has conditionally agreed to inject RMB1,000,000,000 in cash into Chesir Luzhai, of which RMB26,231,769 will be contributed to the increase in its registered capital and RMB973,768,231 will be contributed to its capital reserve. Upon Completion, the registered capital of Chesir Luzhai will be increased to RMB131,158,845 and Chesir Luzhai will be held as to 80% by its existing equity interest holders as at the date of this announcement and 20% by the Investor.

The table below sets out the ownership structure of Chesir Luzhai as at the date of this announcement and immediately following Completion:

Equity interest holders	As at the date of this announcement		Immediately following Completion	
	Registered capital subscribed (RMB)	% (Approximate)	Registered capital subscribed (RMB)	% (Approximate)
Chesir Pearl <sup>#</sup>	70,475,572	67.17	70,475,572	53.73
Other Equity Interest Holders	34,451,504	32.83	34,451,504	26.27
Investor	n/a	n/a	26,231,769	20.00
<b>Total</b>	<b>104,927,076</b>	<b>100.00</b>	<b>131,158,845</b>	<b>100.00</b>

<sup>#</sup> As at the date of this announcement, Chesir Pearl is interested by the Group as to 97.19%. Accordingly, the respective effective equity interest of the Group in Chesir Luzhai are 65.28% as at the date of this announcement and 52.22% immediately following Completion.

### Conditions precedent

Chesir Luzhai shall fulfill the following conditions before 5 December 2023:

- (i) Chesir Luzhai having passed resolutions of its equity interest holders, approving the execution of the relevant transaction documents and the Capital Increase;
- (ii) Chesir Luzhai having obtained all necessary third-party (including but not limited to relevant approving governmental authorities, lending bank and etc.) permits or approvals for the execution and performance of the relevant transaction documents and the Capital Increase, and that the execution and performance of the relevant transaction documents will not result in Chesir Luzhai violating any applicable laws of the PRC;
- (iii) the Parties having completed the execution of each transaction document, including the Capital Increase Agreement and any other ancillary agreements, resolutions and other documents (including but not limited to all relevant industrial and commercial registration and filing materials) for the purpose of completing the Capital Increase or as requested by the Investor;
- (iv) from the date of signing of the Capital Increase Agreement (inclusive) and up to the Completion date, the representations and warranties made by Chesir Luzhai in the Capital Increase Agreement remain true, complete and accurate, and Chesir Luzhai having fulfilled the undertakings which shall be fulfilled on or before the Completion date as stipulated in the relevant transaction documents and that there has not been any breach of the transaction documents; and

- (v) from the date of signing of the Capital Increase Agreement (inclusive) and up to the Completion date, there have not been or have not occurred events, facts, conditions, changes or other circumstances that had or are reasonably foreseeable to have material adverse effects on the assets, financial structure, liabilities, technologies, profit prospects and normal operations of Chesir Luzhai.

### **Consideration and Completion**

The consideration for the Capital Increase Agreement is RMB1,000,000,000. The entire amount of which shall be payable by the Investor in cash into the account to be designated by Chesir Luzhai before 5 December 2023.

The consideration for the Capital Increase Agreement was determined after arm's length negotiations between the Parties after taking into consideration of the following:

- (a) the net asset value of Chesir Luzhai for the financial year ended 31 December 2022 in the amount of RMB406,152,722;
- (b) the future prospects of Chesir Luzhai with reference to:
- its historical financial performance, including the historical growth rate of revenue and net profit after tax between the financial years ended 31 December 2021 and 2022 at approximately 98.31% and 177.10% respectively;
  - the steady development of the PRC mica product market, being the market which Chesir Luzhai is principally engaged in, in view of the wide usage of synthetic mica; and
  - the leading and prominent market position of Chesir Luzhai in the production of synthetic mica and pearlescent pigment products; and
- (c) the due diligence conducted on Chesir Luzhai by the Investor.

Within thirty (30) Business Days from the date on which the consideration was paid by the Investor, Chesir Luzhai shall (i) apply to the relevant Administration for Market Regulation authorities of the PRC for completing the relevant registration and filing procedures in relation to the Capital Increase; and (ii) register the Investor as an equity interest holder of Chesir Luzhai.

### **Use of proceeds from the Capital Increase**

The proceeds from the Capital Increase shall be used for the future business expansion and/or investment, unless otherwise agreed between the Parties.

## Representations and warranties

Certain customary warranties, including those in relation to authorisations, licences and approvals, disclosure of information, title to equity interests among others, have been given by each of Chesir Luzhai and the Investor to each other pursuant to the Capital Increase Agreement.

## Non-competition

Pursuant to the Capital Increase Agreement, Chesir Luzhai has undertaken to and shall ensure that it will enter into non-competition agreements with all of its directors, supervisors, members of senior management, other key members of management and core technical personnel, and any new recruits for the aforesaid positions prior to joining Chesir Luzhai, to the effect that the aforesaid personnel shall not hold any position, other than as directors or supervisors, in any similar companies other than in Chesir Luzhai and its subsidiaries, and shall not carry on any other business in competition with Chesir Luzhai and its subsidiaries.

## INFORMATION OF CHESIR LUZHAI

Chesir Luzhai is a company established under the laws of the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company as at the date of this announcement. It is principally engaged in the production and sales of synthetic mica and pearlescent products in the PRC.

Set out below is certain financial information of Chesir Luzhai as extracted from its unaudited management accounts for the financial years ended 31 December 2021 and 31 December 2022:

	<b>For the year ended 31 December 2021</b> <i>(Unaudited)</i> <i>RMB'000</i> <i>(approximate)</i>	<b>For the year ended 31 December 2022</b> <i>(Unaudited)</i> <i>RMB'000</i> <i>(approximate)</i>
Revenue	80,444	159,527
Net profit before tax	6,114	17,631
Net profit after tax	5,919	16,401

As at 31 December 2022, the unaudited net asset value of Chesir Luzhai was approximately RMB406,152,722.

## **FINANCIAL EFFECTS OF THE DEEMED DISPOSAL TO THE GROUP**

Immediately upon Completion, the effective equity interest of the Group in Chesir Luzhai will be diluted from approximately 65.28% to approximately 52.22%. Accordingly, upon Completion, Chesir Luzhai will remain as an indirect non-wholly owned subsidiary of the Company and its financial results will continue to be consolidated in the Group's accounts. The Deemed Disposal will be accounted for as an equity transaction and no gain or loss will be recognised from the Deemed Disposal for the Group.

## **USE OF PROCEEDS FROM THE CAPITAL INCREASE**

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

## **REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE AND THE DEEMED DISPOSAL**

The Directors consider that the carrying out of the Capital Increase is suitable and appropriate as it would be able to raise additional funds for the Group without increasing its leverage, for the purpose of financing the Group's future business expansion and its exploration of investment opportunities at the industry at which the Group is currently principally engaged. It could be able to facilitate the growth of its current business stream, including by way of marketing activities initiative, improving product and service quality, broadening sales channel, constructing new production facilities, as well as consolidating its leading and prominent position in the synthetic mica industry in the PRC.

The Directors consider that the terms of the Capital Increase Agreement were made on normal commercial terms and are fair and reasonable, and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ABOUT THE GROUP**

The Company is an investment holding company. The Group is principally engaged in the business of production and sales of pearlescent pigment products and synthetic mica powder in the PRC.

## INFORMATION ABOUT THE INVESTOR

The Investor is a company established under the laws of the PRC with limited liability and is wholly-owned by Tonglu Technology and Innovation Industry Development and Investment Company Limited\* (桐廬科技創新產業發展投資有限公司), which in turn is wholly-owned by Tonglu County State-owned Asset Management Committee\* (桐廬縣國有資產管理委員會), being the ultimate beneficial owner of the Investor. The Investor is principally engaged in the (i) investment, development, construction and operation of industrial parks; (ii) management and operation of state-owned assets; (iii) property and project management, warehousing and logistics and information consulting; and (iv) investment in industrial funds and projects.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Investor and its ultimate beneficial owner are Independent Third Parties.

## LISTING RULES IMPLICATIONS

Upon Completion, the effective equity interest of the Group in Chesir Luzhai will be diluted from approximately 65.28% to approximately 52.22%. Therefore, the Capital Increase will constitute a deemed disposal by the Group of its equity interest in Chesir Luzhai pursuant to Rule 14.29 of the Listing Rules.

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**Completion of the Capital Increase Agreement is subject to the satisfaction of conditions precedent. Accordingly, the Capital Increase Agreement may or may not proceed to Completion. Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

Unless the context requires otherwise, the capitalised terms used in this announcement shall have the following meanings:

<b>“Board”</b>	board of Directors;
<b>“Business Day”</b>	any calendar day other than Saturdays or Sundays and any other holidays under the laws of the PRC;

<b>“Capital Increase”</b>	the capital contribution of RMB1,000,000,000 in cash by the Investor into Chesir Luzhai under the terms and conditions of the Capital Increase Agreement;
<b>“Capital Increase Agreement”</b>	the agreement dated 20 November 2023 entered into between Chesir Luzhai and the Investor in relation to, among other things, the Capital Increase;
<b>“Chesir Luzhai”</b>	Luzhai Chesir Pearl Mica Material Co., Ltd.* (鹿寨七色珠光雲母材料有限公司), a company established under the laws of the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company;
<b>“Chesir Pearl”</b>	Guangxi Chesir Pearl Material Co., Ltd.* (廣西七色珠光材料股份有限公司), a joint stock company established under the laws of the PRC with limited liability, and an indirect non-wholly owned subsidiary of the Company and one of the existing equity interest holders of Chesir Luzhai as at the date of this announcement;
<b>“Company”</b>	Global New Material International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange (stock code: 06616);
<b>“Completion”</b>	the completion of the Capital Increase pursuant to the Capital Increase Agreement;
<b>“Deemed Disposal”</b>	the deemed disposal through the dilution of the Group’s equity interest in Chesir Luzhai as a result of the Capital Increase by the Investor pursuant to the Capital Increase Agreement;
<b>“Director(s)”</b>	director(s) of the Company;
<b>“Group”</b>	the Company and its subsidiaries;
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong;
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China;



<b>“Investor”</b>	Tonglu New City Development Investment Co., Ltd.* (桐廬新城發展投資有限公司), a company established under the laws of the PRC with limited liability;
<b>“Independent Third Party(ies)”</b>	third party(ies) independent of the Company and any of the connected persons (as defined in the Listing Rules) of the Company;
<b>“Listing Rules”</b>	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
<b>“Other Equity Interest Holders”</b>	all of the current equity interest holders, other than Chesir Pearl, of Chesir Luzhai as at the date of this announcement, who are Independent Third Parties;
<b>“PRC”</b>	the People’s Republic of China (for the purpose of this announcement and for geographical reference only does not include Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan);
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC;
<b>“Shareholder(s)”</b>	holder(s) of the Share(s);
<b>“Shares”</b>	ordinary share(s) of HK\$0.10 each in the Company;
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited;
<b>“subsidiary(ies)”</b>	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
<b>“%”</b>	per cent.

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

Hong Kong, 20 November 2023

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

*\* For identification purposes only*