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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)

PROPOSED VERY SUBSTANTIAL ACQUISITION

Financial adviser to the Company

Deutsche Bank 

THE TRANSACTION

The Board is pleased to announce that, on 25 July 2024 (after trading hours of the Stock Exchange), the Seller, the Company, the Designated Sellers and the Share Purchasers entered into the Agreement. Subject to the terms and conditions of the Agreement, the Seller and the Designated Sellers agreed to sell, and the Company and the Share Purchasers agreed to purchase, the worldwide global surface solutions business of the Seller Group at the aggregate consideration of EUR665,000,000 (equivalent to approximately RMB5,187,000,000 or HK\$5,586,000,000), subject to the agreed Pre-Closing Adjustments and Post-Closing Adjustments.

The Board is of the view that, through the Transaction, the Group will (i) further expand the geographical coverage and sales channels of its principal business; (ii) further enrich its product portfolio and enhance the competitiveness of its principal business; (iii) strengthen its supply chain and achieve synergies that will benefit customers; and (iv) further enhance its technological research and development and contribute to the enhancement of environmental, social and governance standard.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transaction exceeds 100%, the Transaction constitutes a very substantial acquisition (as such term is defined under the Listing Rules) for the Company under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors of the Company should note that Closing is subject to the satisfaction and/or, where applicable, waiver of the Conditions set forth in the Agreement and may or may not proceed. Hence, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

BACKGROUND

The Board is pleased to announce that, on 25 July 2024 (after trading hours of the Stock Exchange), the Seller, the Company, the Designated Sellers and the Share Purchasers entered into the Agreement. Subject to the terms and conditions of the Agreement, the Seller and the Designated Sellers agreed to sell, and the Company and the Share Purchasers agreed to purchase, the worldwide global surface solutions business of the Seller Group.

THE AGREEMENT

The principal terms of the Agreement are summarised below:

Date: 25 July 2024

Parties: (i) the Seller;
(ii) the Company;
(iii) the Designated Sellers; and
(iv) the Share Purchasers,
(each a "**Party**", and collectively, the "**Parties**")

Subject matter: Pursuant to the Agreement, the Seller and the Designated Sellers agreed to sell, and the Company and the Share Purchasers agreed to purchase, the Worldwide Business through the sale and purchase of the Sale Shares (after completion of the Reorganisation).

The Reorganisation will take place between the date of the Agreement and Closing. Pursuant to the Reorganisation, the Business Sellers shall transfer the applicable portion of the Worldwide Business held by such Business Seller to the relevant Target Company (whether currently existing on the date of the Agreement or to be incorporated in the course of Reorganisation) as specified in the Agreement immediately prior to or at Closing. The Share Sellers shall transfer the shares they hold in such Target Companies to the Share Purchasers at Closing.

As at the date of the Agreement, the Target Companies set out in the table below are currently in existence. Each Share Seller has agreed to sell the Sale Shares in the relevant Target Company to the Share Purchasers as detailed below:

| No. | Share Seller (Jurisdiction) | Direct Target Company (Jurisdiction) | Indirect Target Company (Jurisdiction) |
|-----|---------------------------------------|--|---|
| 1. | Merck Electronics KGaA (Germany) | Merck Gernsheim Holding GmbH (Germany) | Merck Surface Solutions GmbH (Germany) Merck 37. Allgemeine Beteiligungs-GmbH (Germany) |
| 2. | Merck Chemicals B.V. (Netherlands) | Merck Holdings G.K. (Japan) | Merck Performance Materials G.K. (Japan) |
| 3. | Merck Life Science KGaA (Germany) | Merck S.r.l. (Italy) | N/A |

Reorganisation in relation to the Business in the United States

The sale and purchase of the Worldwide Business under the Agreement will include the Business in the United States which is held by EMD Performance Materials Corp (a Business Seller whose principal business activities are, among others, the manufacture, distribution and sale of pigments and ancillary materials to the coatings industry) as at the date of this announcement. EMD Performance Materials Corp is a wholly-owned subsidiary of the Seller. Subject to the successful implementation of the Reorganisation, EMD Performance Materials Corp will use commercially reasonable efforts to implement the transfer of EMD Performance Materials Corp's right, title and interest in the applicable portion of the Worldwide Business held by EMD Performance Materials Corp to its newly-incorporated wholly-owned company, Surface Solutions, LLC.

Reorganisation in relation to the Business in France

The sale and purchase of the Worldwide Business under the Agreement will include the Business in France which is held by Merck Chimie S.A.S. as at the date of this announcement. Merck Chimie S.A.S. is a wholly-owned subsidiary of Merck S.A., which in its turn is 99.86% indirectly owned by the Seller. Merck S.A.'s principal business activities are, among others, the manufacture and sale of pharmaceutical, dietary, health, chemical, herbal and perfumery products and Merck Chimie S.A.S.'s principal business activities are, among others, the manufacturing, importing, exporting, operation, trade and distribution of chemical products, pearlescent products and pigments and active ingredients.

To facilitate the sale and purchase of the Business in France, pursuant to the Reorganisation, it is intended that the Business in France would be transferred from Merck Chimie S.A.S. to Merck Holding S.A.S., a newly-incorporated company wholly-owned by Merck S.A. (which is the proposed Share Seller of the Business in France at Closing). As required by local law, the Reorganisation in relation to the Business in France is subject to the completion of the information and consultation process with the works council of Merck Chimie S.A.S. and the employees of Merck Chimie S.A.S., whereby the employees of Merck Chimie S.A.S. being transferred to Merck Holding S.A.S. are informed by Merck Holding S.A.S. (i) of the intent of Merck S.A. to sell its shares in Merck Holding S.A.S., and (ii) of their option to make an offer for the acquisition of such shares, in accordance with the provisions of articles L. 23-10-1 et seq. of the French Commercial Code (Code de commerce) (so-called Hamon Law Process).

Pursuant to the terms of the Agreement, each of the Seller and the Company will cooperate to consult with and obtain the opinion of the works council of Merck Chimie S.A.S. from the date of the Agreement until the Closing Date. In connection with that, the Company shall enter into a put option agreement with the Seller, Merck Chimie S.A.S. and Merck S.A. (collectively, the “**offeree parties**”) on the signing date of the Agreement, pursuant to which, the offeror parties irrevocably grant an offer to purchase the Business in France from the offeree parties.

In the event that the put option agreement is not exercised, the sale and purchase of the relevant Business in France will be excluded in accordance with the terms of the Agreement.

Consideration:

The aggregate consideration for the Transaction is EUR665,000,000 (equivalent to approximately RMB5,187,000,000 or HK\$5,586,000,000), which is the net amount after deductions for taxes and other withholdings (if any) required to be made by the Company or any other member of the Purchaser Group (“**Debt Free / Cash Free Price**”), subject to the agreed Pre-Closing Adjustments and Post-Closing Adjustments. The consideration shall be allocated to the respective Share Seller in accordance with the terms of the Agreement (“**Purchase Price Allocation**”).

Initial Cash Price

At Closing, the Company shall pay an initial cash price (the “**Initial Cash Price**”) to the Seller which is calculated by adjusting the Debt Free / Cash Free Price in accordance with the provisions in the Agreement by:

- (i) deducting (a) the aggregate amount of all estimated external debt of the Target Companies, (b) the estimated Total Employee Benefit Indemnification Amount of EUR55,697,529 (equivalent to approximately RMB434,440,726 or HK\$467,859,244), (c) the aggregate amount of all estimated Inter-Company Non-Trading Payables, and (d) the estimated Profit Transfer Payables (if any); and
- (ii) adding (a) the aggregate amount of all estimated cash and cash equivalent of the Target Companies, (b) the aggregate amount of all estimated Inter-Company Non-Trading Receivables, (c) the estimated Loss Compensation Receivables (if any), and (d) the difference between the estimated working capital and the target working capital of EUR290,000,000 (equivalent to approximately RMB2,262,000,000 or HK\$2,436,000,000) if the estimated working capital is greater than the target working capital (or deducting the absolute value of such difference if the aggregate estimated working capital is less than the target working capital).

For the avoidance of doubt, the estimated working capital is calculated based on the Seller’s good faith estimate of the working capital of the Target Companies as at Closing, while the target working capital is the level of working capital at Closing agreed between the Company and the Seller based on the average historical working capital of the Target Companies.

The estimated amount of external debt, cash and cash equivalent, working capital, Inter-Company Non-Trading Payables, Inter-Company Non-Trading Receivables, Profit Transfer Payables and Loss Compensation Receivables shall be provided in a preliminary closing statement delivered by the Seller no later than ten Business Days prior to the Closing Date, which represents the Seller's good faith estimate of that amount at 24:00 (local time in the relevant location) on the Closing Date.

Pre-Closing Adjustments

If and to the extent that any of the Reorganisation steps in the relevant local jurisdiction set out in the Agreement cannot be fully implemented between the date of the Agreement and Closing, the Seller and the Company shall cooperate to determine at least ten Business Days prior to Closing an amendment of the Purchase Price Allocation in the Agreement to reflect such deviation and allocating a separate and individual percentage of the Debt Free / Cash Free Price to be paid for the applicable portion of the Worldwide Business to the respective Business Seller ("**Pre-Closing Adjustments**"). After arm's length negotiation with the Seller, the Company has agreed that if Closing occurs despite the existence of certain Reorganisation steps (either because Condition (iv) in the subsection headed "Conditions Precedent" below was satisfied despite the existence of that Reorganisation step or because such Condition was waived), the Company shall be obligated to pay to the Seller the full Debt Free / Cash Free Price allocated to the relevant portion of the Worldwide Business. The Directors consider it fair and reasonable that the consideration shall not be subject to adjustments in relation to the Reorganisation steps taking into account the Reorganisation plan provided by the Seller and reviewed by the Company. The Company considers that the practical risk of the Reorganisation steps not being able to be completed is low.

Post-Closing Adjustments

Following Closing and subject to the Pre-Closing Adjustments, further post-closing adjustments shall be made in accordance with the provisions in the Agreement (“**Post-Closing Adjustments**”) to reflect the difference between the actual amount of external debt, cash and cash equivalent, working capital, Inter-Company Non-Trading Payables, Inter-Company Non-Trading Receivables, Profit Transfer Payables and Loss Compensation Receivables at the Closing Date and the Seller’s good faith estimate of what the amount will be at 24:00 (local time in the relevant location) on the Closing Date.

The Seller shall deliver a draft closing statement prepared in good faith to the Company setting out the actual amount of external debt, cash and cash equivalent, working capital, Inter-Company Non-Trading Payables and Inter-Company Non-Trading Receivables within 90 Business Days after Closing. The Seller shall also engage actuaries to determine the actual amount of Total Employee Benefit Indemnification Amount upon Closing.

The Profit Transfer Payables and Loss Compensation Receivables represent the amounts of the transfer of profits accrued and the compensation of losses incurred at Merck Gernsheim Holding GmbH and Merck Surface Solutions GmbH in connection with existing (intragroup) domination and profit and loss transfer agreements, both as set out in the respective financial statements that will be prepared in relation to the termination of these agreements. As such, the actual audited amount of the Profit Transfer Payables and Loss Compensation Receivables can only be confirmed once the relevant financial statements of Merck Gernsheim Holding GmbH and Merck Surface Solutions GmbH have been approved at the respective shareholder meetings of these companies. Such shareholder meetings will take place after the financial statements in relation to the termination of these domination and profit and loss transfer agreements have been prepared.

Subject to the comments of the Company on the draft closing statement, the Post-Closing Adjustments shall reflect, among others, the difference between the estimated and actual amount of external debt, cash and cash equivalent, working capital, Inter-Company Non-Trading Payables, Inter-Company Non-Trading Receivables, Total Employee Benefit Indemnification Amount, Profit Transfer Payables and Loss Compensation Receivables, as well as the allocation of tax benefits and liabilities determined after tax assessments pursuant to the terms of the Agreement.

Any payments required to be made pursuant to the Post-Closing Adjustments shall be treated as adjusting the Initial Cash Price, thus resulting after such adjustment in a final price in relation to the Sale Shares and Businesses (the “**Final Price**”).

Payment terms:

The consideration will be settled in cash and funded by the internal financial resources of the Group and external financing.

At Closing, the Company shall pay an Initial Cash Price to the Seller as detailed in the sub-section headed “Consideration” above.

After conducting the Post-Closing Adjustments, whichever of the Seller or the Company is then left with any payment obligation in light of the Post-Closing Adjustments shall make the applicable payment(s) within ten Business Days of the date on which the draft closing statement is agreed or so determined. Where the Post-Closing Adjustments are in relation to the Profit Transfer Payables and Loss Compensation Receivables, the amount shall become due and payable five Business Days after the relevant financial statements have been approved by the respective shareholder meetings.

Conditions precedent:

Closing shall be conditional on the following conditions (collectively, the “**Conditions**”, and any one of them, a “**Condition**”) having been fulfilled or waived in accordance with the Agreement.

The obligation of each Party to consummate the transactions contemplated by the Agreement is subject to the satisfaction, or waiver by the Seller and the Company, of each of the following Conditions:

- (i) the clearances, approvals, waivers, no-action letters and consents having been obtained and any waiting periods having expired or been terminated (A) under applicable antitrust, merger control or foreign investment rules set forth in the jurisdictions listed in the Agreement with respect to the consummation of the Transaction and (B) under any other applicable antitrust, merger control, or foreign investment rules or other applicable regulatory law where (1) a filing becomes or turns out to be mandatory between the date of the Agreement and the Closing Date, including due to any relevant changes to any applicable regulatory law or due to the Company's shareholder structure, acquisition structure or financing arrangements or (2) any governmental entity initiates a formal and suspensory review of the Transaction or any parts thereof;
- (ii) all conditions or obligations which are contained in the consents, approvals, clearances, confirmations or licences granted (A) by any competent antitrust or merger control authority in the jurisdictions listed in the Agreement, and/or (B) by any other competent governmental entity in the jurisdictions listed in the Agreement or (C) in any other jurisdiction where a filing becomes or turns out to be mandatory between the date of the Agreement and the Closing Date under any other applicable antitrust, merger control or foreign investment rules or other applicable regulatory law or where a governmental entity initiates a formal and suspensory review of the Transaction or any parts thereof and which, in each case of (A), (B) and (C), are required to be satisfied prior to Closing, having been fulfilled or complied with;
- (iii) the approval of the Transaction by the Shareholders in accordance with the requirements of the Listing Rules at the EGM; and

(iv) subject to and in accordance with any modifications to the Reorganisation steps in the local jurisdictions implemented by the Seller in accordance with the Agreement, certain Reorganisation steps in the local jurisdictions outlined in the Agreement having been completed in all material respects.

To the extent not already prepared and filed as at the date of the Agreement, the Company and, where applicable, the Seller shall prepare and file the notifications necessary for the fulfilment of the abovementioned Conditions (i) and (ii) within thirty Business Days from the date of the Agreement. The Company shall be responsible for the satisfaction of the abovementioned Conditions (i) to (iii).

The Company shall, and shall cause its Affiliates to propose, negotiate, offer to commit to and effect (and if such offer is accepted, commit to and effect), by consent decree, undertaking, hold separate order, or otherwise,

- (i) the sale, divestiture, licence or disposition of assets or businesses (a) which are part of the Worldwide Business or (b) which the Company may (directly or indirectly) hold in the United States or Europe at any point in time; and
- (ii) any operational restrictions or limitations on any assets or businesses (including assets or businesses which are part of the Worldwide Business and any other assets or businesses which the Company may hold at any point in time),

as may be required in order to obtain any waiting period expirations or terminations, clearances, approvals, waivers, no-action letters and consents, or to avoid the entry of, or to effect the dissolution of or vacate or lift, any decrees, judgments, injunctions or orders, under applicable antitrust, merger control or foreign investment rules required or otherwise agreed between the Seller and the Company as appropriate to procure the satisfaction of the abovementioned Conditions (i) and (ii) within applicable phase I, or, if not possible despite the Company having complied with its obligations relating to the Conditions and required by any governmental entity, any applicable phase II proceedings, and, in any event, by the Initial Long Stop Date or the Extended Long Stop Date.

If, in the Seller's reasonable discretion, Closing is expected to occur on any date that is not the first day of a calendar year, the obligation of the Seller and the Designated Sellers to consummate the transactions contemplated by the Agreement is subject to the approval of change of fiscal year of specified entities by competent tax authorities and registration with the commercial register, unless such Condition is waived by the Seller.

In the event that closing in a jurisdiction is the subject of a Local Condition, closing in such jurisdiction shall be conditional on the relevant Local Condition having been fulfilled or waived in accordance with the Agreement.

Long Stop Date: Subject to the other provisions detailed in the Agreement, the Company shall, and shall cause its Affiliates to procure the satisfaction of Conditions (i) to (iii) on or before the day that is twelve months following the date of the Agreement (the "**Initial Long Stop Date**").

Without prejudice to the Seller's right to claim the break fee and to invoke any other remedy available, the Company shall be entitled to request an extension of the Initial Long Stop Date in accordance with the terms of the Agreement. If Conditions (i) and (ii) have not been satisfied on such day which is twenty Business Days prior to the Initial Long Stop Date and the Company can credibly and in reasonable detail demonstrate to the Seller that (a) the satisfaction of the Conditions (i) and (ii) is still possible and in progress, (b) the Company has fully and timely complied with its obligations under the Agreement, and (c) Closing will occur subject to and on the terms of the Agreement within a period of up to nine months after the Initial Long Stop Date, the Parties shall discuss in good faith to extend the term of the Initial Long Stop Date by an additional period of up to nine months (the "**Extended Long Stop Date**").

The Initial Long Stop Date shall only be extended pursuant to the requirements stipulated in the Agreement, and it will not be extended if Conditions (iii) and/or (iv) cannot be fulfilled by the Initial Long Stop Date.

**Amendment of
the scope of
the Worldwide
Business:**

In the event that amendments to the scope of the Worldwide Business are required in order to procure the satisfaction of the abovementioned Conditions (i) and (ii) by the Initial Long Stop Date or the Extended Long Stop Date, the Seller shall be entitled to amend the scope of the Worldwide Business on terms as close to the initial scope of the Worldwide Business as possible and on terms acceptable to the relevant competent antitrust or merger control authority or authorities, and/or by any other competent governmental entity and the Company (and each Share Purchaser) shall agree to such amended scope and to any necessary amendments to the transaction documents required to implement and give effect to the amended scope. To the extent legally permissible and on terms acceptable to the relevant competent governmental entities, the Seller shall procure the supply of all products so concerned which are necessary to run the Worldwide Business via the Manufacturing and Supply Agreement under the terms stipulated therein.

The Manufacturing and Supply Agreement shall be entered into by and between the Seller or its Affiliates and the Company or its Affiliates with effect from Closing to govern the manufacture and supply of certain products relating to the Worldwide Business which, as of the day following the Closing Date, are manufactured at certain sites of the Seller Group which the Parties have agreed not to transfer to the Company in connection with the Transaction, inter alia, due to foreign direct investment considerations. The purpose of the Manufacturing and Supply Agreement is to therefore allow the Seller to continue to supply the relevant products relating to the Worldwide Business to the Company/the Target Companies after Closing.

In the event that the Seller Group is required to retain any portion of the Worldwide Business, the Company shall, to the extent permissible under applicable law and/or relevant regulatory or foreign investment approvals, provide such transitional services and other assistance as may reasonably be required by the Seller Group to continue to operate the retained business, at cost and otherwise on terms to be negotiated by the Seller and the Company in good faith.

As noted above, potential amendments to the scope of the Worldwide Business are required solely to satisfy the aforementioned Conditions (i) and (ii), which involve accommodating antitrust, merger control, or foreign investment requirements. Consequently, the scope of the Worldwide Business will only be reduced (but not increased) to meet these requirements. Given that the maximum possible scope of the Worldwide Business is being covered to ensure compliance with Chapter 14 of the Listing Rules at this stage, the Directors believe that any subsequent amendments to reduce the scope of the Worldwide Business will not constitute a material change in terms. Therefore, the Company will not be required to re-comply with the relevant rules under Chapter 14 of the Listing Rules for such amendments.

Closing:

Except as otherwise provided in the Agreement, Closing shall take place at 24:00 hours (German time) on the last calendar day of the month following the month in which the Unconditional Date occurs, or at such other place, time and date as agreed to in writing by the Seller and Purchaser, provided that all the Conditions (other than those which have been waived) remain fulfilled at that date (the “**Closing Date**”).

Termination:

The Agreement may be terminated and the Transaction abandoned at any time prior to Closing:

- (i) by mutual written consent of the Seller and the Company;
or
- (ii) by either the Seller or the Company, if Conditions (i) and (ii) above are not satisfied or waived on the Initial Long Stop Date or the Extended Long Stop Date (as applicable); provided, however, that if such non-satisfaction of a Condition was caused by the act or omission by a Party, such Party shall not be entitled to terminate by virtue of this method;
- (iii) by the Seller, if Closing does not occur on the Initial Long Stop Date or the Extended Long Stop Date (as applicable) as a result of the Company having (a) failed to satisfy Condition (iii), or (b) failed to comply, or having failed to cause its Affiliates to comply, with any of the Company’s obligations set out in certain provisions of the Agreement relating to Closing arrangements on the Closing Date; or

(iv) by the Purchaser, if the Conditions (i) to (iii) have been satisfied but the Condition (iv) is not satisfied or waived on the Initial Long Stop Date or, as the case may be, the Extended Long Stop Date.

In the event that the Agreement is terminated by methods (ii) or (iii) above, the Company shall pay to the Seller a break fee of EUR65,000,000 (equivalent to approximately RMB507,000,000 or HK\$546,000,000) within ten Business Days of notice of termination. The payment of the break fee shall not prevent or limit the Seller and/or the Designated Sellers from seeking any additional remedy from the Company and/or the Share Purchasers.

The Seller shall reimburse to the Company any payment received as compensation for any such damages, costs or expenses incurred in excess of the break fee in the event that the Seller sells and transfers the Worldwide Business (or parts thereof) to a third party within eighteen months after the termination of the Agreement against net cash proceeds of at least two times the amount of the payment received by the Seller from the Company as compensation in excess of the break fee.

Upon termination of the Agreement, neither the Seller nor the Company (nor any of their Affiliates) shall have any claim, obligation or liability of any nature against any other Party (or any of its Affiliates) under the Agreement (except in respect of any rights and liabilities which have accrued in relation to the break fee or under any of the surviving provisions in the Agreement).

BASIS OF DETERMINATION OF THE CONSIDERATION

The consideration for the Transaction was determined after arm's length negotiations between the Parties, having taken into account of, among other things, (i) the enterprise value-to-EBIT multiple ("**EV/EBIT Multiple**") of the Transaction; (ii) the historical financial performance of the Target Companies, whose historical earnings before interest and taxes ("**EBIT**") in the fiscal years ended 31 December 2022 and 31 December 2023 (the "**FY2022 EBIT**" and "**FY2023 EBIT**") amounted to EUR74.0 million (equivalent to approximately RMB577.2 million or HK\$621.6 million) and EUR62.7 million (equivalent to approximately RMB489.1 million or HK\$526.7 million), respectively; (iii) the business prospects of the Target Companies as explained in the section headed "Reasons for and benefits of the Transaction" below; and (iv) the price adjustment mechanisms set forth in the sub-section headed "Consideration" above.

Similar to the Company itself, the Target Companies are principally engaged in the provision of pearlescent pigments, in addition to cosmetic actives and other industrial functionals and raw materials. The Target Companies procure raw materials for pearlescent pigment products, which are processed in the Target Companies manufacturing site and distributed to an established international customer base.

As the Transaction will be conditional upon a pre-Closing Reorganisation, the EBIT of the Target Companies was prepared based on the Seller's financial information by business segments/units with appropriate adjustments made to reflect the financial performance of the Target Companies. The Directors are of the view that enterprise value, represented by the Debt Free / Cash Free Price in the Transaction and EBIT measurements are useful for comparisons across comparable companies with different capital or asset structures because they exclude the distorting effects of individual companies' capital/asset levels. This metric makes reference to a company's income and cash flow generating ability (which is relevant to the Target Companies as it recorded strong positive EBIT in recent years).

The consideration was assessed by the Directors chiefly based on the EV/EBIT Multiple of 10.6x as represented by the Debt Free / Cash Free Price (the Debt Free / Cash Free Price of EUR665 million (equivalent to approximately RMB5,187 million or HK\$5,586 million) divided by the earnings before interest and tax of the Target Companies for the year ended 31 December 2023, which amounted to EUR62.7 million (equivalent to approximately RMB489.1 million or HK\$526.7 million)).

This multiple is benchmarked against that of the Company (as there is no appropriate market comparable in Hong Kong which is engaged in a business similar to the Target Companies). The EV/EBIT Multiple of the Transaction is generally within the range or on balance lower than the EV/EBIT Multiples of the Company, which is 12.8x one day before the signing of the Agreement.

The Directors consider the price-to-book ratio less relevant to the Target Companies given the value of their business is not principally driven by its asset backing. The core competitive strengths of the Target Companies lie in its customer relationship, research and development capability, and industry and process know-how. Most of these intangible assets do not have a value in the books and therefore not included in the Target Companies' net asset value and are difficult to value accurately and individually. The Directors also consider EV/EBIT Multiple is more representative than other commonly adopted multiples such as price-to-sales or price-to-earnings ratios as (i) price-to-sales ratio does not account for the profitability of the business and (ii) price-to-earnings ratio includes effects of tax and capital structure on earnings which may differ in different countries.

Having regard to the financial performance and business model of the Target Companies, the Directors consider it suitable to evaluate the consideration based on EV/EBIT ratio.

On the backdrop of the rapid development of the global pearlescent pigment industry in recent years, the Directors consider the Target Companies' leading market position, global sales channels and strong brand names a strategic fit with the Group's current business. Future revenue and cash flow growth may be realised for the Target Companies after the implementation of strategic synergies arising from the Transaction.

Due to the required Reorganisation prior to Closing, the Directors consider the closing mechanism as set out in the Pre-Closing Adjustment and Post-Closing Adjustment to be necessary to true up the net amount paid by the Company to the Seller at Closing to reflect the actual consideration.

Having considered the factors set out above, the Directors are of the view that the consideration of the Transaction is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE SELLERS AND THE TARGET COMPANIES

Information on the Target Companies

The Target Companies at Closing shall comprise the following companies as well as companies to be incorporated in the course of the Reorganisation:

- (i) Merck Gernsheim Holding GmbH, a limited liability company incorporated in Germany;
- (ii) Merck Surface Solutions GmbH, a limited liability company incorporated in Germany and a subsidiary of Merck Gernsheim Holding GmbH, and Merck 37. Allgemeine Beteiligungs-GmbH, which, at the time of Closing, will be a wholly-owned subsidiary of Merck Gernsheim Holding GmbH;
- (iii) Merck Holdings G.K., a limited liability company incorporated in Japan;
- (iv) Merck Performance Materials G.K., a limited liability company incorporated in Japan and a subsidiary of Merck Holdings G.K.;
- (v) Merck S.r.l., a limited liability company incorporated in Italy;
- (vi) Merck Holding S.A.S., a simplified joint-stock company incorporated in France;
and

(vii) Surface Solutions, LLC, a limited liability company incorporated in the United States.

Each of the Target Companies is an indirect subsidiary of the Seller. The Target Companies are principally engaged in surface solutions businesses, which is part of the Seller's electronics business sector. The Target Companies are surface solutions providers and leaders in pearlescent pigments serving mainly customers active in the automotive, cosmetics and industrial applications. Apart from pearlescent pigments, the Target Companies product portfolio also comprise cosmetic actives (such as insect repellent and tanning products) and other industrial functionals and raw materials (such as high-performance additives for protective and optical coatings or functional pigments for anti-counterfeiting applications). The business of the Target Companies is run as a customer-centric organization and structured along regions rather than business or product segments. That means there is one commercial sales force per region (namely, Asia, EMEA and Americas), serving all customers with all products from the Target Companies' portfolio. This is a synergistic approach as many customers do not only source pearlescent pigments but also non-pearlescent pigments products from the Target Companies (e.g. a cosmetics customer buying pearlescent pigments together with tanning products or a coatings manufacturer sourcing pearlescent pigments together with high-performance additives).

The Group focuses on the research and development, production and sales of pearlescent materials and synthetic mica. In particular, 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. Given the Target Companies' revenue and profit exposure to the pearlescent pigments industry, it is considered that the Target Companies are active broadly in the same industry as the Company's existing principal businesses. It is expected that upon Closing, the Target Companies will be consolidated into the accounts of the Group under the existing business segment of the Group as set out in the financial statements of the Group, which is the manufacturing and sales of pearlescent pigments products and functional mica filler and related products. As such, the Board is of the view that there will be no fundamental change in the Company's principal business upon Closing.

The Directors and the senior management team of the Company possess extensive experience and expertise in the business of the Target Companies. As set out on pages 119 to 124 of the 2023 annual report of the Company, the Directors and senior management of the Company are experienced in the industry. Most of the senior management of the Company have more than ten years of experience in the management or operations of pearlescent pigment and synthetic mica products manufacturing. In particular, the Chairman, Mr. Su Ertian and the executive Director, Mr. Jin Zengqin, have been the chairman and the director of the principal subsidiary of the Company, Guangxi Chesir Pearl Material Co., Ltd., since 2011, respectively.

Each of Mr. Zhou Fangchao, Mr. Bai Zhihuan and Ms. Zeng Zhu, being the executive Directors, joined the Group since 2014. Mr. Hu Yongxiang, being the non-executive Director, is also experienced in the successful listing of companies in the new materials industry. Considering that the business of the Target Companies is in an area which the Company is already familiar with, the Directors and senior management of the Company will be able to leverage their existing expertise in managing the acquired business of the Target Companies.

Information on the Seller Group

The Seller is a partnership limited by shares incorporated in Germany, the shares of which are traded on the Frankfurt Stock Exchange with the symbol “MRK” and other stock exchanges. The Seller (together with its subsidiaries) is a science and technology company with three business sectors, namely life science, healthcare and electronics.

The Share Sellers at Closing shall comprise the following companies as well as members of the Seller Group nominated by the Seller in the course of the Reorganisation to sell and transfer the relevant Sale Shares of the relevant Target Companies at Closing:

- (i) Merck Electronics KGaA, a partnership limited by shares incorporated in Germany;
- (ii) Merck Chemicals B.V., a private limited company incorporated in the Netherlands; and
- (iii) Merck Life Science KGaA, a partnership limited by shares incorporated in Germany.

Each of the Share Sellers is a wholly-owned subsidiary of the Seller. The principal business activities of the Share Sellers are the manufacture and sale of products for the life science, electronics and chemical industry, as well as the development, acquisition and utilisation of processes and equipment and all related business activities.

To the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, each of the Seller, the Designated Sellers and their respective ultimate beneficial owner(s) is an Independent Third Party.

FINANCIAL INFORMATION ON THE TARGET COMPANIES

The table below sets forth a summary of selected unaudited financial information of the Target Companies for the two years ended 31 December 2023 and as of 31 December 2023 and 2022:

| | Year ended 31 December | |
|-------------------------------------|---|---|
| | 2023 <i>(unaudited)</i> <i>Euro (million)</i> | 2022 <i>(unaudited)</i> <i>Euro (million)</i> |
| Revenue | 405.4 | 432.8 |
| Earnings before interest and tax | 62.7 | 74.0 |
| Net asset value (as of 31 December) | 323.9 | 308.2 |

Upon Closing, the Company will indirectly hold all of the issued shares of the Target Companies and the Target Companies will then become subsidiaries of the Company and will be consolidated into the accounts of the Group.

INFORMATION ON THE GROUP AND THE SHARE PURCHASERS

The Company is an investment holding company. The Group is principally engaged in the business of production and sales of pearlescent pigment products and functional mica and related products in the PRC and the Republic of Korea.

The Company will set up entities as the Share Purchasers, which will be wholly-owned subsidiaries of the Company and will be holding shares in the Target Companies upon Completion.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Board is of the view that the Transaction is in the interests of the Company and its shareholders as a whole for the following reasons:

- **The Group will further expand the geographical coverage and sales channels of its principal business**

The production bases and service markets of the Group's pearlescent pigments and functional specialty products are mainly located in the PRC and the Republic of Korea. The Group has been paying close attention to the international market and suitable business co-operation opportunities, focusing on pearlescent materials and accelerating its international strategic layout. The Target Companies have a network of sales channels covering major markets around the world. Through the Transaction, considering the Target Companies' strong brand, and its large and highly satisfied customer base across many

geographies and products, the Group will be able to rely on the Target Companies' strong global e-commerce channel that has been rolled out to most major markets across the continents to effectively reach out to international customers and achieve incremental sales, which will be another important step towards the realization of the Group's global layout.

- **The Group will further enrich its product portfolio and enhance the competitiveness of its principal business**

With the sustained and rapid development of the global pearlescent pigment industry, on the basis of the main traditional product applications such as coatings, plastics, inks, vehicles, cosmetics, etc., the application of pearlescent pigment has been further expanded to the fields of vehicle paints, industrial machinery and equipment coating, children's toys, home decoration, food packaging, etc. The continuous development of the substrate-related research technologies also sustain the rapid growth of the pearlescent pigment industry. Currently, the Group is a leader in various pigment businesses, including for use in industrial coatings, plastics and printing inks. The Board believes that through conducting the Transaction, the competitiveness of the Group's principal business will be enhanced and its product offering will be broader. In addition, the Group will be able to enhance product diversification and services and further increase customer satisfaction. By incorporating the Target Companies' cosmetic offering into the Group's pigment business product portfolio, the Group may consider setting up a cosmetic division to provide packaged cosmetic solutions to globally renowned customers in the cosmetic field.

- **The Group will strengthen its supply chain and achieve synergies that will benefit customers**

Natural mica, one of the core raw materials used in the production of pigments, is highly dependent on the supply of natural mica raw materials in India, which are gradually being depleted. The Group possesses the technology of synthetic mica and a synthetic mica factory, which can replace natural mica with high quality synthetic mica. In addition, compared with Western countries, Chinese pearlescent pigment manufacturers have relative advantages in terms of availability and price of resources such as land, infrastructure, public works and energy and labour. Currently, a complete pearlescent pigment industry chain has formed in the PRC from pearlescent raw materials, intermediates, production and sales of specialized equipment and downstream consumer markets. Through conducting the Transaction, the Board believes that the Group and the Target Companies can realize complementary advantages, further strengthen their

supply chain, reduce production costs and achieve synergy. Meanwhile, by integrating the operational resources and production processes of the Group and the Target Companies, the overall operational efficiency of the Group can be enhanced after the Transaction.

- **The Group will further enhance its technological research and development and contribute to the enhancement of environmental, social and governance standard**

The Transaction will promote the technological innovation of the Group and the Target Companies in fields such as raw material supply, product safety and environmental friendliness.

The Directors confirm that the Agreement is entered into on normal commercial terms following arm's length negotiations between the Parties and consider that the Transaction, the terms of the Agreement (including the terms of consideration) and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transaction exceeds 100%, the Transaction constitutes a very substantial acquisition (as such term is defined under the Listing Rules) for the Company under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

The EGM will be convened to consider and, if thought fit, to pass the resolutions to approve the Transaction, the Agreement and the transactions contemplated thereunder. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has any material interest in the Transaction, the Agreement and the transactions contemplated thereunder. Hence, no Shareholder is required to abstain from voting at the EGM in respect of the resolutions approving the Transaction, the Agreement and the transactions contemplated thereunder.

Mr. Su Ertian and companies controlled by him, together with certain other Shareholders, who, in aggregate, have an interest in approximately 50.6 % of the issued Shares of the Company have irrevocably undertaken to, among other things, vote or appoint a proxy to vote all such Shares in favour of the resolutions to approve the Transaction at the EGM.

GENERAL

A circular containing, among other things, (i) further information on the Transaction, the Agreement and the transactions contemplated thereunder; (ii) the financial information and other information of the Group; (iii) the financial information and other information of the Target Companies; (iv) the unaudited pro forma financial information on the Enlarged Group assuming Closing takes place; (v) the notice of the EGM; and (vi) other information as required under the Listing Rules, will be despatched by the Company to the Shareholders. In order to allow sufficient time for the Company to prepare the circular, including the accountants' report on the Target Companies, the circular will be despatched more than 15 business days after the publication of this announcement and is expected to be despatched to the Shareholders on or before 25 October 2024. It is currently expected that the EGM will be convened to be held on or before 29 November 2024.

Shareholders and potential investors of the Company should note that Closing is subject to the satisfaction and/or, where applicable, waiver of the Conditions set forth in the Agreement and may or may not proceed. Hence, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

This announcement may contain certain forward-looking statements relating to the Group that are based on the beliefs of the Group's management as well as assumptions made by and information currently available to the Group's management. When used in this announcement, the words "will", "should", "continue", "future", "expect", "anticipate", "believe" and similar expressions are intended to identify forward-looking statements. Forward-looking statements contained in this announcement do not constitute and should not be viewed as commitments made by the Group. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of the Group to be materially different from those implied by such forward-looking statements. In addition, the Group does not intend to update such forward-looking statements. Investors are cautioned not to unduly rely on such forward-looking statements.

DEFINITIONS

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

- “Affiliate(s)” in relation to any Party, any affiliated company of that Party within the meaning of but applying to entities in all corporate forms and nationalities § 15 of the German Stock Corporation Act from time to time, and shall include (i) in the case of the Company, the Share Purchasers and (ii) in the case of the Seller, the Designated Sellers;
- “Agreement” the agreement dated 25 July 2024 entered into between the Seller, the Company, the Designated Sellers and the Share Purchasers in relation to, among other things, the Transaction;
- “Board” the board of Directors;
- “Business” in relation to each Business Seller, any business carried on by that Business Seller as at Closing which forms part of the Worldwide Business, and Businesses shall be construed accordingly;
- “Business Day” a day, other than a Saturday or Sunday or public holiday in Germany or the PRC, on which banks are open in Frankfurt am Main and Shanghai for general commercial business;
- “Business Sellers” collectively, the members of the Seller Group specified in the Agreement and member of the Seller Group nominated by the Seller to sell and transfer a portion of the Worldwide Business to the Target Companies immediately prior to or at Closing in accordance with the Agreement, and Business Seller means any one of them;
- “Closing” completion of the Transaction in accordance with the Agreement;
- “Closing Date” has the same meaning ascribed to it in the sub-section headed “Closing” under the section headed “The Agreement” in this announcement;

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| “Company” | 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); |
| “Conditions” | has the same meaning ascribed to it in the sub-section headed “Conditions precedent” under the section headed “The Agreement” in this announcement; |
| “connected person(s)” | has the same meaning ascribed to it under the Listing Rules; |
| “Debt Free / Cash Free Price” | has the same meaning ascribed to it in the sub-section headed “Consideration” under the section headed “The Agreement” in this announcement; |
| “Designated Sellers” | collectively, the Business Sellers and the Share Sellers, and Designated Seller means any one of them; |
| “Direct Target Companies” | collectively, the entities named in the column “Direct Target Company” as set out in the table in the sub-section “Subject matter” under the section headed “The Agreement”, and Direct Target Company means any one of them; |
| “Director(s)” | the director(s) of the Company; |
| “EBIT” | has the same meaning ascribed to it in the section headed “Basis of Determination of the Consideration” in this announcement; |
| “EGM” | the extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among others, the Agreement, the Transaction and the transactions contemplated thereunder; |
| “Enlarged Group” | the Company and its subsidiaries following Closing; |
| “EUR” | Euro, the lawful currency of Eurozone; |

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| “EV/EBIT Multiple” | means the enterprise value to earnings before interest and tax multiple calculated in the following manner: (i) in respect of the Target Companies, the Debt Free / Cash Free Price divided by the earnings before interest and tax of the Target Companies for the year ended 31 December 2023; and (ii) in respect of the Company, the enterprise value, which is derived from the market capitalisation of the issued shares of Company as at 24 July 2024 (one Business Day before the signing of the Agreement) by adding the net cash, being cash of approximately RMB3.2 billion which the Target Companies held as of 31 December 2023, and by subtracting the interest-bearing debts of approximately RMB913.7 million and the non-controlling interests of approximately RMB928.7 million from this cash amount, divided by the earnings before interest and tax of the Company for the year ended 31 December 2023; |
| “Extended Long Stop Date” | has the same meaning ascribed to it in the sub-section headed “Long Stop Date” under the section headed “The Agreement” in this announcement; |
| “Final Price” | has the same meaning ascribed to it in the sub-section headed “Payment terms” under the section headed “The Agreement” in this announcement; |
| “FY2022 EBIT” | has the same meaning ascribed to it in the section headed “Basis of Determination of the Consideration” in this announcement; |
| “FY2023 EBIT” | has the same meaning ascribed to it in the section headed “Basis of Determination of the Consideration” in this announcement; |
| “Group” | the Company and its subsidiaries; |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |

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| “Independent Third Party(ies)” | third party(ies) independent of the Company and any of the connected persons of the Company; |
| “Indirect Target Companies” | collectively, the entities named in the column “Indirect Target Company” as set out in the table in the sub-section “Subject matter” under the section headed “The Agreement” which are subsidiaries of the relevant Direct Target Company, and an Indirect Target Company means any one of them; |
| “Initial Cash Price” | has the same meaning ascribed to it in the sub-section headed “Consideration” under the section headed “The Agreement” in this announcement; |
| “Initial Long Stop Date” | has the same meaning ascribed to it in the sub-section headed “Long Stop Date” under the section headed “The Agreement” in this announcement; |
| “Inter-Company Non-Trading Payables” | the amount owed by the Target Companies to the member(s) of the Seller Group, together with accrued interest on the terms of the applicable debt; |
| “Inter-Company Non-Trading Receivables” | the amount owed to the Target Companies by the member(s) of the Seller Group, together with accrued interest on the terms of the applicable debt; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Local Condition” | any clearance, approval, waiver, no-action letter or consent or any waiting period under applicable antitrust, merger, foreign investment rules or other applicable law which the Seller agrees is required to be satisfied in a relevant jurisdiction in order for the Transaction in so far as it relates to that jurisdiction to be consummated in accordance with the Agreement; |
| “Loss Compensation Receivables” | the amounts (if any) owed by Merck Electronics KGaA and Merck KGaA to Merck Gernsheim Holding GmbH and Merck Surface Solutions GmbH, respectively under certain domination and profit and loss transfer agreement for the compensation of losses incurred; |

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| “Manufacturing and Supply Agreement” | the manufacturing and supply agreement to be entered into by and between the Seller or its Affiliates and the Company or its Affiliates with effect from Closing; |
| “Party(ies)” | has the same meaning ascribed to it in the sub-section headed “Parties” under the section headed “The Agreement” in this announcement; |
| “Post-Closing Adjustments” | has the same meaning ascribed to it in the sub-section headed “Consideration” under the section headed “The Agreement” in this announcement; |
| “PRC” | 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 and Taiwan); |
| “Pre-Closing Adjustments” | has the same meaning ascribed to it in the sub-section headed “Consideration” under the section headed “The Agreement” in this announcement; |
| “Profit Transfer Payables” | the amounts (if any) owed to Merck Electronics KGaA and Merck KGaA by Merck Gernsheim Holding GmbH and Merck Surface Solutions GmbH, respectively under certain domination and profit and loss transfer agreement, for the transfer of profits accrued less any prepayments made by the Seller prior to Closing; |
| “Purchase Price Allocation” | has the same meaning ascribed to it in the sub-section headed “Consideration” under the section headed “The Agreement” in this announcement; |
| “Purchaser Group” | the Company and its Affiliates from time to time (including the Share Purchasers); |
| “Reorganisation” | the pre-Closing reorganisation conducted by transferring the Businesses held by Business Sellers to the Target Companies pursuant to the Agreement; |
| “RMB” | Renminbi yuan, the lawful currency of the PRC; |

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| “Sale Shares” | all of the issued and outstanding shares (or other equity interests) of such Direct Target Company and all of the issued and outstanding shares (or other equity interests) of other individual or entity owned, directly or indirectly, by such Direct Target Company; |
| “Seller” | Merck KGaA, a partnership limited by shares incorporated in Germany, the shares of which are traded on the Frankfurt Stock Exchange with the symbol “MRK” and other stock exchanges; |
| “Seller Group” | the Seller and its Affiliates from time to time (including the Designated Sellers), but excluding the Target Companies; |
| “Share(s)” | ordinary share(s) of HK\$0.10 each in the Company; |
| “Share Purchasers” | the members of the Purchaser Group nominated by the Company to purchase and acquire the relevant Sale Shares in accordance with the Agreement after the date of the Agreement, and Share Purchaser means any one of them; |
| “Share Sellers” | collectively, the entities named in the column “Share Sellers” as set out in the table in the sub-section “Subject matter” under the section headed “The Agreement”, and the members of the Seller Group nominated by the Seller to sell and transfer the relevant Sale Shares in accordance with the Agreement after the date of the Agreement, and Share Seller means any one of them; |
| “Shareholder(s)” | holder(s) of the Share(s); |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “subsidiary(ies)” | has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong); |

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| “Target Companies” | collectively, (i) the Direct Target Companies and the Indirect Target Companies, and (ii) any other Affiliate of the Seller (whether existing on the date of the Agreement or not) that acquires a portion of the Worldwide Business in the course of Reorganisation in accordance with the Agreement, and Target Company means any one of them; |
| “Total Employee Benefit Indemnification Amount” | the aggregated value of all defined benefit obligations for employee benefit arrangements in the jurisdictions specified in the Agreement, adjusted by the fair market value of any underlying assets to fund the liabilities and obligations in respect of such employee benefit arrangements from Closing; |
| “Transaction” | the acquisition of the Worldwide Business and the transactions contemplated by the Agreement and the ancillary agreements; |
| “Unconditional Date” | the first Business Day on or by which all Conditions have been fulfilled (or waived in accordance with the Agreement); |
| “Worldwide Business” | the worldwide surface solutions business of the Seller Group carried on by the Target Companies and, in respect of the Businesses, by the Business Sellers; and |
| “%” | per cent. |

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

Hong Kong, 25 July 2024

For the purpose of this announcement, translations of Euro into RMB or vice versa have been calculated by using an exchange rate of EUR1.00 equal to RMB7.8. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

For the purpose of this announcement, translations of Euro into HK\$ or vice versa have been calculated by using an exchange rate of EUR1.00 equal to HK\$8.4. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

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 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.