The following is the text of a report set out on pages I-[●] to I-[●], received from the Company's reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this investment circular.

RSM

RSM Hong Kong
29th Floor, Lee Garden Two, 28 Yun Ping Road
Causeway Bay, Hong Kong
T +852 2598 5123
F +852 2598 7230
www.rsmhk.com

羅申美會計師事務所
香港銅鑼灣恩平道二十八號
利園二期二十九字樓
電話 +852 2598 5123
傳真 +852 2598 7230
www.rsmhk.com

[REDACTED]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GLOBAL NEW MATERIAL INTERNATIONAL HOLDINGS LIMITED (环球新材国际控股有限公司) AND ESSENCE CORPORATE FINANCE LIMITED

Introduction

We report on the historical financial information of Global New Material International Holdings Limited (**环球新材国际控股有限公司**) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-[●] to I-[●], which comprises the consolidated statements of financial position of the Group as at 31 December 2017, 2018, 2019 and 30 September 2020, the statements of financial position of the Company as at 31 December 2018, 2019 and 30 September 2020, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-[●] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the investment circular of the Company dated [REDACTED] (the "Investment Circular") in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's financial position as at 31 December 2018, 2019 and 30 September 2020 and the Group's financial position as at 31 December 2017, 2018, 2019 and 30 September 2020 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises statements of consolidated profit or loss and other comprehensive income, changes in equity and cash flows for the nine months ended 30 September 2019, and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope that an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-[●] have been made.

Dividends

We refer to note 14 to the Historical Financial Information which states that no dividends have been paid by Global New Material International Holdings Limited (环球新材国际控股有限公司) in respect of the Track Record Period.

RSM Hong Kong
Certified Public Accountants
Hong Kong

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by RSM Hong Kong in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

A. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 31 December			Nine months ended 30 September	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	6	188,753	318,244	440,583	320,621	399,350
Cost of goods sold		(103,459)	(166,917)	(218,222)	(156,381)	(206,252)
Sales related tax and auxiliary charges		(4,050)	(4,380)	(4,084)	(3,248)	(4,009)
Gross profit		81,244	146,947	218,277	160,992	189,089
Other income and other gains and losses	7	4,326	4,971	5,295	3,368	10,571
Reversals of impairment losses on trade and other receivables/(impairment losses for trade and other receivables)		14,481	612	208	(1,146)	(4,064)
Selling expenses		(11,574)	(13,347)	(23,292)	(13,703)	(15,281)
Administrative and other operating expenses		(34,283)	(35,568)	(56,712)	(33,310)	(41,621)
Profit from operations		54,194	103,615	143,776	116,201	138,694
Finance costs	9	(14,057)	(15,869)	(18,475)	(12,618)	(15,828)
Profit before tax		40,137	87,746	125,301	103,583	122,866
Income tax credit/(expense)	10	44	(6,382)	(17,968)	(15,359)	(18,186)
Profit for the year/period	11	40,181	81,364	107,333	88,224	104,680
Attributable to:						
Owners of the Company		39,028	77,400	102,806	84,211	101,303
Non-controlling interests		1,153	3,964	4,527	4,013	3,377
		40,181	81,364	107,333	88,224	104,680

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Profit for the year/period	40,181	81,364	107,333	88,224	104,680
Other comprehensive income:					
Item that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations	14	2	(2)	—	—
Other comprehensive income for the year/period, net of tax	14	2	(2)	—	—
Total comprehensive income for the year/period	40,195	81,366	107,331	88,224	104,680
Attributable to:					
Owners of the Company	39,042	77,402	102,804	84,211	101,303
Non-controlling interests	1,153	3,964	4,527	4,013	3,377
	40,195	81,366	107,331	88,224	104,680

B. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December			As at 30 September
		2017	2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	16	262,786	304,696	353,907	362,165
Right-of-use assets	17	18,726	17,932	29,949	67,819
Deposits paid for acquisition of property, plant and equipment and right-of-use assets		924	16,367	26,671	1,095
Deferred tax assets	30	744	1,190	1,190	1,190
Total non-current assets		283,180	340,185	411,717	432,269
Current assets					
Inventories	19	54,902	74,420	80,134	78,141
Trade and bills receivables	20	79,090	144,019	121,692	165,246
Deposits, prepayments and other receivables	21	7,689	14,305	4,029	8,346
Amount due from a shareholder	22	—	330	330	375
Bank and cash balances	23	66,656	171,854	559,839	605,949
Total current assets		208,337	404,928	766,024	858,057
TOTAL ASSETS		491,517	745,113	1,177,741	1,290,326

		As at 31 December			As at 30 September
	Note	**2017**	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	24	83,100	330	330	330
Reserves	25	137,269	297,771	711,878	813,181
		220,369	298,101	712,208	813,511
Non-controlling interests		2,894	156,858	161,385	164,762
Total equity		223,263	454,959	873,593	978,273
LIABILITIES					
Non-current liabilities					
Bank loans and other borrowings	26	154,492	4,971	143,776	90,956
Convertible loans	27	28,700	—	69,106	—
Lease liabilities	28	276	191	2,615	2,194
Deferred revenue	29	9,695	10,179	7,487	6,225
Total non-current liabilities		193,163	15,341	222,984	99,375
Current liabilities					
Bank loans and other borrowings	26	29,842	181,146	11,953	74,302
Convertible loans	27	—	29,921	—	70,899
Derivative component of convertible loans	27	564	—	1,642	4,070
Lease liabilities	28	353	85	543	569
Trade payables	31	17,215	23,839	29,941	20,710
Accruals and other payables	32	24,214	31,839	30,890	32,184
Amount due to a director	22	—	56	105	128
Contract liabilities	33	416	2,398	710	383
Deferred revenue	29	2,487	2,723	2,692	1,924
Current tax liabilities		—	2,806	2,688	7,509
Total current liabilities		75,091	274,813	81,164	212,678
TOTAL EQUITY AND LIABILITIES		491,517	745,113	1,177,741	1,290,326

C. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital	Merger reserve	Other reserve	Convertible loans reserve	Foreign currency translation reserve	Statutory surplus reserve	(Accumulated losses)/ retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000 (note 25(c)(i))	RMB'000 (note 25(c)(ii))	RMB'000 (note 25(c)(iii))	RMB'000 (note 25(c)(iv))	RMB'000 (note 25(c)(v))	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	83,100	—	160,600	—	—	—	(62,373)	181,327	1,741	183,068
Total comprehensive income for the year	—	—	—	—	14	—	39,028	39,042	1,153	40,195
Changes in equity for the year	—	—	—	—	14	—	39,028	39,042	1,153	40,195
At 31 December 2017	83,100	—	160,600	—	14	—	(23,345)	220,369	2,894	223,263
At 1 January 2018	83,100	—	160,600	—	14	—	(23,345)	220,369	2,894	223,263
Total comprehensive income for the year	—	—	—	—	2	—	77,400	77,402	3,964	81,366
Transfer to statutory reserve	—	—	—	—	—	20,195	(20,195)	—	—	—
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	150,000	150,000
Issue of share capital (note 24)	330	—	—	—	—	—	—	330	—	330
Group reorganisation	(83,100)	83,100	—	—	—	—	—	—	—	—
Changes in equity for the year	(82,770)	83,100	—	—	2	20,195	57,205	77,732	153,964	231,696
At 31 December 2018	330	83,100	160,600	—	16	20,195	33,860	298,101	156,858	454,959
At 1 January 2019	330	83,100	160,600	—	16	20,195	33,860	298,101	156,858	454,959
Total comprehensive income for the year	—	—	—	—	(2)	—	102,806	102,804	4,527	107,331
Transfer to stationery reserve	—	—	—	—	—	9,998	(9,998)	—	—	—
Recognition of equity component of convertible loans	—	—	—	8,163	—	—	—	8,163	—	8,163
Issue of share capital of 广西七色珠光材料股份有限公司 (Guangxi Chesir Pearl Material Co., Ltd) ("Chesir Pearl")	—	33,674	269,466	—	—	—	—	303,140	—	303,140
Changes in equity for the year	—	33,674	269,466	8,163	(2)	9,998	92,808	414,107	4,527	418,634
At 31 December 2019	330	116,774	430,066	8,163	14	30,193	126,668	712,208	161,385	873,593

	Attributable to owners of the Company									
	Share capital	Merger reserve	Other reserve	Convertible loans reserve	Foreign currency translation reserve	Statutory surplus reserve	(Accumulated losses)/ retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000 (note 25(c)(i))*	*RMB'000 (note 25(c)(ii))*	*RMB'000 (note 25(c)(iii))*	*RMB'000 (note 25(c)(iv))*	*RMB'000 (note 25(c)(v))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	330	116,774	430,066	8,163	14	30,193	126,668	712,208	161,385	873,593
Total comprehensive income for the period	—	—	—	—	—	—	101,303	101,303	3,377	104,680
Changes in equity for the period	—	—	—	—	—	—	101,303	101,303	3,377	104,680
At 30 September 2020	330	116,747	430,066	8,163	14	30,193	227,971	813,511	164,762	978,273
At 1 January 2019	330	83,100	160,600	—	16	20,195	33,860	298,101	156,858	454,959
Total comprehensive income for the period (unaudited)	—	—	—	—	—	—	84,211	84,211	4,013	88,224
Recognition of equity component of convertible loans (unaudited)	—	—	—	8,163	—	—	—	8,163	—	8,163
Issue of share capital of Chesir Pearl (unaudited)	—	33,674	269,466	—	—	—	—	303,140	—	303,140
Changes in equity for the period (unaudited)	—	33,674	269,466	8,163	—	—	84,211	395,514	4,013	399,527
At 30 September 2019 (unaudited)	330	116,774	430,066	8,163	16	20,195	118,071	693,615	160,871	854,486

D. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	40,137	87,746	125,301	103,583	122,866
Adjustments for:					
Finance costs	14,057	15,869	18,475	12,618	15,828
Interest income	(79)	(697)	(1,683)	(1,163)	(1,497)
Depreciation of property, plant and equipment	16,596	20,760	23,153	17,396	17,090
Depreciation of right-of-use assets	754	717	1,156	856	1,057
Amortisation of deferred revenue	(1,721)	(3,200)	(2,723)	(2,043)	(2,030)
(Reversals of impairment losses on trade and other receivables)/impairment losses for trade and other receivables	(14,481)	(612)	(208)	1,146	4,064
Fair value (gain)/loss on derivative component of convertible loans	(1,972)	(564)	1,120	1,011	2,428
Operating profit before working capital changes	53,291	120,019	164,591	133,404	159,806
(Increase)/decrease in inventories	(4,926)	(19,518)	(5,714)	(18,744)	1,993
(Increase)/decrease in trade and bills receivables	(996)	(64,238)	22,546	27,019	(47,587)
(Increase)/decrease in deposits, prepayments and other receivables	(1,329)	(6,695)	10,265	8,656	(4,348)
Increase in amount due from a shareholder	—	—	—	—	(45)
Increase/(decrease) in trade payables	2,856	6,624	6,102	2,666	(9,231)
Increase/(decrease) in accruals and other payables	7,986	7,582	(1,112)	(11,280)	1,909
Increase/(decrease) in contract liabilities	276	1,982	(1,688)	(301)	(327)
Cash generated from operations	57,158	45,756	194,990	141,420	102,170
Income tax paid	—	(4,022)	(18,086)	(14,042)	(13,365)
Interest on lease liabilities	(71)	(40)	(184)	(138)	(125)
Interest paid	(13,203)	(15,675)	(13,176)	(10,439)	(14,525)
Net cash generated from operating activities	43,884	26,019	163,544	116,801	74,155

		Year ended 31 December			Nine months ended 30 September	
	Note	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of property, plant and equipment		(29,787)	(5,817)	(55,503)	(1,763)	(25,348)
Proceeds from disposal of property, plant and equipment		77	—	—	141	—
Payments for right-of-use assets		—	—	(9,764)	(9,764)	(13,342)
Deposits paid for acquisition of property, plant and equipment and right-of-use assets		(21,324)	(71,186)	(26,487)	(1,000)	—
Government grant received		2,330	3,920	—	—	—
Interest received		79	697	1,683	1,163	1,497
Net cash used in investing activities		(48,625)	(72,386)	(90,071)	(11,223)	(37,193)
CASH FLOWS FROM FINANCING ACTIVITIES						
Bank loans and other borrowings raised		15,000	32,628	151,740	54,000	17,485
Repayment of bank loans and other borrowings		(6,666)	(30,845)	(182,128)	(80,561)	(7,956)
Proceeds from issue of convertible loans		30,000	—	72,240	72,240	—
Repayment of convertible loans		—	—	(30,000)	(30,000)	—
Principal elements of lease payments		(323)	(276)	(527)	(396)	(404)
Increase in amount due to a director		—	56	49	30	23
Capital contribution from non-controlling interests		—	150,000	—	—	—
Proceeds from issue of share capital of Chesir Pearl		—	—	303,140	303,140	—
Net cash generated from financing activities		38,011	151,563	314,514	318,453	9,148
NET INCREASE IN CASH AND CASH EQUIVALENTS		33,270	105,196	387,987	424,031	46,110
Effect of foreign exchange rate changes		14	2	(2)	—	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD		33,372	66,656	171,854	171,854	559,839
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	23	66,656	171,854	559,839	595,885	605,949

E. STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December		As at 30 September
		2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Investment in a subsidiary	18	330	330	330
Current assets				
Prepayments		—	—	2,103
Amount due from a shareholder	22	330	330	330
Bank and cash balances		—	—	45
Total current assets		330	330	2,478
TOTAL ASSETS		660	660	2,808
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	24	330	330	330
Accumulated losses	25(b)	(48)	(81)	(4,092)
Total equity/(capital deficiencies)		282	249	(3,762)
LIABILITIES				
Current liabilities				
Accruals and other payables		2	4	1,090
Amounts due to subsidiaries	18	330	330	5,394
Amount due to a director	22	46	77	86
Total current liabilities		378	411	6,570
TOTAL EQUITY AND LIABILITIES		660	660	2,808

F. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. Group Reorganisation and Basis of Preparation and Presentation of Historical Financial Information

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 Zone, No. 380, Feilu Road, Luzhai Town, Luzhai County, Liuzhou City, Guangxi Zhuang Autonomous Region, People's Republic of China ("the PRC").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 18 to the Historical Financial Information.

Pursuant to the group reorganisation as more fully explained in the paragraph headed "History, Development and Reorganisation" section to this investment circular ("Reorganisation"), the Company became the holding company of the companies now comprising the Group on [●]. As the Reorganisation involved only the insertion of new holding companies at the top of the existing group and did not result in any change in economic substance in terms of the ownership and control of the Group, the Historical Financial Information for the Track Record Period has been prepared as a continuation of the existing group using the principles of merger accounting.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows are prepared as if the current group structure had been in existence throughout the Track Record Period. The consolidated statements of financial position as at 31 December 2017, 2018, 2019 and 30 September 2020 present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name of subsidiary	Place of incorporation / establishment	Authorised capital	Issued / paid up capital	Attributable equity interest of the Group [as at 30 September 2020]	Principal activities
Generous Fortune Limited (盛富有限公司) ("Generous Fortune")	British Virgin Islands	United States dollars ("US$") 50,000	US$50,000	100% (Direct)	Investment holding
Global New Material (China) Limited (環球新材（中國）有限公司) ("Global New Material (HK)")	Hong Kong	N/A	Hong Kong dollars ("HK$") 10,000	100% (Indirect)	Investment holding
Chesir Pearl	The PRC	RMB 116,773,467	RMB 116,773,467	97.13% (Indirect)	Manufacturing and sales of pearlescent pigment and synthetic mica
上海萬紫千紅珠光效應材料有限公司 (Shanghai Multicolor Pearl Effect Material Co., Ltd ("Shanghai Multicolor"))	The PRC	RMB 10,000,000	RMB 10,000,000	97.13% (Indirect)	Trading of pearlescent pigment and synthetic mica
鹿寨七色珠光雲母材料有限公司 (Luzhai Chesir Pearl Mica Material Co., Ltd ("Chesir Luzhai"))	The PRC	RMB 104,927,076	RMB 104,927,076	58.32% (Indirect)	Manufacturing and sales of synthetic mica
Chesir Europe S.A.S. ("Chesir France")	France	Euro ("EUR") 50,000	EUR 50,000	97.13% (Indirect)	Inactive

No audited statutory financial statements have been issued for entities incorporated in Cayman Islands, British Virgin Islands and France as there are no statutory audit requirement in the respective places of their incorporation.

No audited statutory financial statements of Global New Material (HK) have been prepared as it is newly incorporated on 30 December 2019.

The financial statements of Chesir Pearl for the years ended 31 December 2017 and 2018 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by Moore Stephens Da Hua Certified Public Accountants registered in the PRC. Since 2019, no audited financial statements of Chesir Pearl have been prepared as there are no statutory audit requirement in the place of its registration.

No audited statutory financial statements of Shanghai Multicolor and Chesir Luzhai have been prepared as there are no statutory audit requirement in the place of their registration.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

During the Track Record Period, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2020. IFRSs comprise International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS") and Interpretations.

New and revised IFRSs in issue but not yet effective

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial period beginning 1 January 2020. These new and revised IFRSs include the following which may be relevant to the Group.

List of new and revised IFRSs in issue but not yet effective:

	Effective for accounting periods beginning on or after
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRS Standards 2018—2020	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendment to IFRS 16 COVID-19 Related Rent Concessions	1 June 2020

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 Historical Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has 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 the Historical Financial Information 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 Historical Financial Information are disclosed in note 4.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

(a) Consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries made up to 31 December/30 September. 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 Group's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve relating to that subsidiary.

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.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less impairment losses.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the Historical Financial Information 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 Historical Financial Information is presented in Renminbi ("RMB"), which is the Company's presentation and functional 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 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 the Group entities 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.

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.

(c) Property, plant and equipment

Property, plant and equipment, including buildings, held for use in the production or supply of goods or services, or for administrative purposes, 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 principal useful annual 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.

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.

(d) 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 office equipment. 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. 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.

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 Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the consolidated statement of financial position.

(e) 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. 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.

(f) 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 3(v) 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.

(g) 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) 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 fair value through profit or loss 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 Group or the counterparty.

(h) 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 measured at 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.

(i) 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.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(j) 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 statements of cash flows. Cash and cash equivalents are assessed for expected credit losses ("ECL").

(k) 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.

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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.

(m) Convertible loans

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loans and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as convertible loans reserve. The liability component 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 equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion related to the equity component is charged directly to equity.

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 fair value through profit or loss 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.

(n) 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.

(o) 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.

(p) 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 are 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.

(q) 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.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

(s) 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.

(t) 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/period. 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 Historical Financial Information 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 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 to 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 the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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 to settle its current tax assets and liabilities on a net basis.

(u) 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 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 first against the goodwill of the unit and then pro rata amongst the other 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.

(v) Impairment of financial assets and contract assets

The Group recognises a loss allowance for expected credit losses on trade receivables and contract assets. The amount of expected credit losses 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 and contract assets. The expected credit losses 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.

Lifetime ECL represents the expected credit losses 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.

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.

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; or

— 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. 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 expected credit losses 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 guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss 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.

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.

(w) 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.

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.

(x) 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 or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

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 Historical Financial Information (apart from those involving estimations, which are dealt with below).

(a) Significant increase in credit risk

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 17 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 Track Record Period, no lease term has been reassessed.

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) 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 net present value used in the impairment test.

As at 31 December 2017, 2018, 2019 and 30 September 2020, the carrying amount of the property, plant and equipment and right-of-use assets were approximately RMB262,786,000, RMB304,696,000, RMB353,907,000 and RMB362,165,000 respectively and RMB18,726,000, RMB17,932,000, RMB29,949,000 and RMB67,819,000 respectively.

(b) Impairment loss 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 2017, 2018, 2019 and 30 September 2020, the carrying amount of trade receivables were approximately RMB78,520,000 (net of allowance for doubtful debts of approximately RMB1,677,000), approximately RMB140,710,000 (net of allowance for doubtful debts of approximately RMB1,053,000), approximately RMB119,863,000 (net of allowance for doubtful debts of approximately RMB851,000) and approximately RMB165,156,000 (net of allowance for doubtful debts of approximately RMB4,884,000) respectively.

(c) 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. Allowance for slow-moving inventories was made for the year ended 31 December 2017, 2018 and 2019 and nine months ended 30 September 2019 (unaudited) and 2020 amounted to appropriately RMB 282,000, RMB9,000, RMB Nil, and RMB Nil respectively.

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.

5. 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 minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in RMB. 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.

(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 and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

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 90 - 180 days from the date of billing. Debtors with balances that are more than 6 months 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 2017, 2018, 2019 and 30 September 2020:

	At 30 September 2020		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	1.8%	167,549	3,092
1 - 90 days past due	33.3%	861	287
91 - 365 days past due	83.3%	747	622
Over 1 year past due	100.0%	883	883
		170,040	4,884

	At 31 December 2019		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.1%	119,079	151
1 - 90 days past due	10.0%	711	71
91 - 365 days past due	38.7%	481	186
Over 1 year past due	100.0%	443	443
		120,714	851

	At 31 December 2018		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.3%	111,399	323
1 - 90 days past due	0.3%	27,656	82
91 - 365 days past due	6.7%	2,208	148
Over 1 year past due	100.0%	500	500
		141,763	1,053

	At 31 December 2017		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.0%	65,608	31
1 - 90 days past due	0.3%	11,776	40
91 - 365 days past due	1.0%	1,219	12
Over 1 year past due	100.0%	1,594	1,594
		80,197	1,677

Expected loss rates are based on actual loss experience over the past 1 years. 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 Track Record Period is as follows:

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	16,340	1,677	1,053	851
Impairment loss recognised for the year/period	—	—	—	4,033
Reversal of impairment loss for the year/period	(14,663)	(624)	(202)	—
At 31 December/ 30 September	1,677	1,053	851	4,884

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance during the nine months end 30 September 2020:

— origination of new trade receivables net of those settled resulted in an increase in loss allowance of approximately RMB4,033,000.

Financial assets at amortised cost

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

Management considers financial assets at amortised cost to be low credit risk when they have a low of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(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	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over and 5 years	Undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 September 2020							
Trade payables		20,710	—	—	—	20,710	20,710
Accruals and other payables		32,184	—	—	—	32,184	32,184
Amount due to a director		128	—	—	—	128	128
Bank loans and other borrowings							
- fixed rate	7.00	67,982	84,460	8,581	—	161,023	145,615
- variable rate	8.96	6,626	3,272	—	—	9,898	19,643
Convertible loans	15.44	78,019	—	—	—	78,019	70,899
Lease liabilities	5.16	708	724	1,679	—	3,111	2,763
		206,357	88,456	10,260	—	305,073	291,942

	Weighted average interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over and 5 years	Undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019							
Trade payables.		29,941	—	—	—	29,941	29,941
Accruals and other payables		30,890	—	—	—	30,890	30,890
Amount due to a director		105	—	—	—	105	105
Bank loans and other borrowings							
- fixed rate	7.21	16,860	70,869	77,526	—	165,255	142,230
- variable rate.	8.96	6,881	6,585	1,636	—	15,102	13,499
Convertible loans	15.44	5,779	78,019	—	—	83,798	69,106
Lease liabilities	5.87	705	706	2,183	33	3,627	3,158
		91,161	156,179	81,345	33	328,718	288,929

	Weighted average interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over and 5 years	Undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018							
Trade payables.		23,839	—	—	—	23,839	23,839
Accruals and other payables		31,839	—	—	—	31,839	31,839
Amount due to a director		56	—	—	—	56	56
Bank loans and other borrowings							
- fixed rate	7.49	28,651	3,026	2,269	—	33,946	31,656
- variable rate.	6.37	162,297	—	—	—	162,297	154,461
Convertible loans	17.16	30,000	—	—	—	30,000	29,921
Lease liabilities	9.32	102	41	127	78	348	276
		276,784	3,067	2,396	78	282,325	272,048

	Weighted average interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over and 5 years	Undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017							
Trade payables.		17,215	—	—	—	17,215	17,215
Accruals and other payables		24,214	—	—	—	24,214	24,214
Bank loans and other borrowings							
- fixed rate	7.00	26,169	—	—	—	26,169	25,000
- variable rate.	6.39	14,973	162,297	—	—	177,270	159,334
Convertible loans	17.16	3,492	30,000	—	—	33,492	28,700
Lease liabilities	9.47	394	102	124	121	741	629
		86,457	192,399	124	121	279,101	255,092

(d) Interest rate risk

The Group's convertible loans and 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 interest at variable rates varied with the then prevailing market condition.

At 31 December 2017, 2018, 2019 and 30 September 2020, it is estimated that a general increase/decrease of 10 basis points in interest rates, with all other variables held constant, would have increased/(decreased) the Group's profit after tax for the year/period as follows:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Increase/(decrease) in interest rates				
10 basis points	(695)	130	4,097	4,398
(10) basis points	695	(130)	(4,097)	(4,398)

The sensitivity analysis above indicates the impact on the Group's profit for the year/period and retained profits 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 Track Record Period.

(e) Categories of financial instruments:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets:				
Financial assets measured at amortised cost	150,440	319,245	684,691	774,915
Financial liabilities:				
Derivative component of convertible loans	564	—	1,642	4,070
Financial liabilities measured at amortised cost	255,092	272,048	288,929	291,942

(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.

6. REVENUE

Disaggregation of revenue

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

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15					
Disaggregated by major products					
Pearlescent pigment	186,433	314,976	434,155	317,820	396,548
Synthetic mica	2,320	3,268	6,428	2,801	2,802
Total	188,753	318,244	440,583	320,621	399,350

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

7. OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest income on bank deposits	79	697	1,683	1,163	1,497
Government grant (note)	3,144	4,285	3,616	2,074	10,352
Net foreign exchange (losses)/gains	(889)	(580)	1,110	1,142	38
Fair value gain/(loss) on derivative component of convertible loans	1,972	564	(1,120)	(1,011)	(2,428)
Sundry income	20	5	6	—	1,112
	4,326	4,971	5,295	3,368	10,571

Note: Government grant mainly related to the subsidies and rewards received from the local government authority for research and development ("R&D") and the achievements accomplished by the Group.

8. SEGMENT INFORMATION

The Group has carried on a single business in a single geographical location, which is manufacturing and sales of pearlescent pigment and synthetic mica 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 3 to the Historical Financial Information.

Geographical information:

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

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
The PRC	156,389	293,202	410,428	299,542	376,938
Thailand	20,989	4,927	724	724	—
Others	11,375	20,115	29,431	20,355	22,412
Consolidated total	188,753	318,244	440,583	320,621	399,350

Revenue from major customers:

There was no customer that had contributed over 10% of the Group's revenue during the Track Record Period.

9. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest on bank loans and other borrowings	10,362	12,226	13,339	9,846	8,131
Interest expenses on lease liabilities (note 17)	71	40	184	138	125
Interest on convertible loans (note 27)	4,435	4,713	5,630	3,194	7,572
Total borrowing costs	14,868	16,979	19,153	13,178	15,828
Amount capitalised	(811)	(1,110)	(678)	(560)	—
	14,057	15,869	18,475	12,618	15,828

10. INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current tax - PRC:					
Provision for the year/period	—	6,828	16,308	13,699	17,968
Under provision in prior year	—	—	1,660	1,660	218
Deferred tax (note 30)	(44)	(446)	—	—	—
	(44)	6,382	17,968	15,359	18,186

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

PRC Enterprise Income Tax has been provided at a rate of 25% for the Track Record Period.

France Corporation Tax is calculated at the applicable rate of 33.33% in accordance with the relevant law and regulations in France for the Track Record Period.

The Company and those subsidiaries incorporated in the Cayman Islands and the British Virgin Islands are not subject to income tax.

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

The income tax expense for the Track Record Period represents the PRC Enterprise Income Tax which is calculated at the prevailing tax rate on the taxable income of the group entities in the PRC.

Chesir Pearl obtained the high and new technology enterprise certificate to entitle to a preferential tax rate of 15% during the Track Record Period, 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:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before tax	40,137	87,746	125,301	103,583	122,866
Tax at the domestic income tax rate of 25%	10,034	21,937	31,325	25,896	30,717
Tax effect of income that is not taxable	(4,450)	(5,300)	(8,199)	(7,016)	(5,739)
Tax effect of expenses that are not deductible	1,832	2,866	7,566	5,668	7,823
Tax effect of tax concession	(943)	(6,434)	(14,166)	(10,604)	(14,848)
Tax effect of utilisation of tax losses not previously recognised	(6,517)	(5,106)	—	—	—
Under-provision in prior year	—	—	1,660	1,660	218
(Under)/over-provision in current year	—	(1,581)	(218)	(245)	15
Income tax (credit)/ expense	(44)	6,382	17,968	15,359	18,186

11. PROFIT FOR THE YEAR/PERIOD

The Group's profit for the year/period is stated after charging/(crediting) the following:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Depreciation on property plant and equipment	16,596	20,760	23,153	17,396	17,090
Depreciation on right-of-use assets	754	717	1,156	856	1,057
Research and development expenditures	8,504	10,745	23,247	13,111	16,573
Cost of inventories sold	103,459	166,917	218,222	156,381	206,252
Allowance for inventories (included in cost of inventories sold)	282	9	—	—	—
(Reversals of impairment losses on trade and other receivables)/impairment losses for trade and other receivables	(14,481)	(612)	(208)	1,146	4,064
Operating lease charge	720	729	936	789	672

Note:

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

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Staff costs	20,303	22,139	23,935	13,421	14,722
Depreciation	9,705	11,123	12,998	9,169	9,365

12. EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Employee benefits expense:					
Salaries, bonuses and allowances	30,428	31,962	38,803	24,649	28,707
Retirement benefit scheme contributions	7,997	9,061	10,146	6,962	2,951
	38,425	41,023	48,949	31,611	31,658

Five highest paid individuals

The five individuals with the highest emoluments in the Group during the Track Record Period included 4, 4, 4 and 4 (unaudited) and 4 individuals respectively were directors of the Company whose are reflected in the analysis presented in note 13.

The emoluments of the remaining 1, 1, 1 and 1 (unaudited) and 1 individual respectively during the Track Record Period were as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, bonuses and allowances	500	360	390	180	270
Retirement benefit scheme contributions	52	54	—	—	—
	552	414	390	180	270

The emoluments fell within the following band:

	Number of Individuals				
	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Nil to HK$1,000,000	5	5	5	5	5

During the Track Record Period, 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.

13. 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							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	
	Fees	Salaries	Discretionary bonus	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Housing allowance		Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:									
Mr. SU Ertian (蘇爾田先生)	—	246	254	—	55	—	—	—	555
Mr. ZHENG Shizhan (鄭世展先生)	—	168	282	—	51	—	—	—	501
Mr. JIN Zengqin (金增勤先生)	—	149	251	—	46	—	—	—	446
Mr. ZHOU Fangchao (周方超先生)	—	162	238	—	49	—	—	—	449
Non-executive directors:									
Mr. QIN Min (秦敏先生)	—	—	—	—	—	—	—	—	—
Total for the year ended 31 December 2017	—	725	1,025	—	201	—	—	—	1,951

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							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	
	Fees	Salaries	Discretionary bonus	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Housing allowance		Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:									
Mr. SU Ertian (蘇爾田先生)	—	246	254	—	63	—	—	—	563
Mr. ZHENG Shizhan (鄭世展先生)	—	168	282	—	55	—	—	—	505
Mr. JIN Zengqin (金增勤先生)	—	149	251	—	50	—	—	—	450
Mr. ZHOU Fangchao (周方超先生)	—	162	238	—	54	—	—	—	454
Non-executive directors:									
Mr. QIN Min (秦敏先生)	—	—	—	—	—	—	—	—	—
Total for the year ended 31 December 2018	—	725	1,025	—	222	—	—	—	1,972

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							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	
	Fees	**Salaries**	**Discretionary bonus**	**Estimated money value of other benefits**	**Employer's contribution to a retirement benefit scheme**	**Remunerations paid or receivable in respect of accepting office as director**	**Housing allowance**		**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:									
Mr. SU Ertian (蘇爾田先生)	—	258	362	—	62	—	—	—	682
Mr. ZHENG Shizhan (鄭世展先生)	—	192	338	—	57	—	—	—	587
Mr. JIN Zengqin (金增勤先生)	—	168	312	—	52	—	—	—	532
Mr. ZHOU Fangchao (周方超先生)	—	186	294	—	56	—	—	—	536
Non-executive directors:									
Mr. QIN Min (秦敏先生)	—	—	—	—	—	—	—	—	—
Total for the year ended 31 December 2019	—	804	1,306	—	227	—	—	—	2,337

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							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	
	Fees	**Salaries**	**Discretionary bonus**	**Estimated money value of other benefits**	**Employer's contribution to a retirement benefit scheme**	**Remunerations paid or receivable in respect of accepting office as director**	**Housing allowance**		**Total**
	RMB'000 (unaudited)	*RMB'000* (unaudited)	*RMB'000* (unaudited)	*RMB'000* (unaudited)	*RMB'000* (unaudited)	*RMB'000* (unaudited)	*RMB'000* (unaudited)	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Executive directors:									
Mr. SU Ertian (蘇爾田先生)	—	194	—	—	47	—	—	—	241
Mr. ZHENG Shizhan (鄭世展先生)	—	144	—	—	43	—	—	—	187
Mr. JIN Zengqin (金增勤先生)	—	126	—	—	38	—	—	—	164
Mr. ZHOU Fangchao (周方超先生)	—	140	—	—	42	—	—	—	182
Non-executive directors:									
Mr. QIN Min (秦敏先生)	—	—	—	—	—	—	—	—	—
Total for the nine months ended 30 September 2019	—	604	—	—	170	—	—	—	774

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	**Salaries**	**Discretionary bonus**	**Estimated money value of other benefits**	**Employer's contribution to a retirement benefit scheme**	**Remunerations paid or receivable in respect of accepting office as director**	**Housing allowance**	**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**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:									
Mr. SU Ertian (蘇爾田先生)	—	360	—	—	27	—	—	—	387
Mr. ZHENG Shizhan (鄭世展先生)	—	315	—	—	24	—	—	—	339
Mr. JIN Zengqin (金增勤先生)	—	270	—	—	22	—	—	—	292
Mr. ZHOU Fangchao (周方超先生)	—	270	—	—	22	—	—	—	292
Non-executive directors:									
Mr. QIN Min (秦敏先生)	—	—	—	—	—	—	—	—	—
Total for the nine months ended 30 September 2020	—	1,215	—	—	95	—	—	—	1,310

Notes: No director has waived or agreed to waive any emoluments during the Track Record Period.

(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 during the Track Record Period.

14. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

15. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this financial information, is not considered meaningful due to the Reorganisation and the basis of presentation of the results of the Group for the Track Record Period as further explained in note 1 to the Historical Financial Information.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Office equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
At 1 January 2017	165,606	51,326	2,036	9,343	1,059	29,425	258,795
Additions	—	2,283	171	184	—	53,633	56,271
Disposals	—	(20)	—	—	—	(61)	(81)
Transfer	32,544	9,219	—	—	—	(41,763)	—
At 31 December 2017 and 1 January 2018	198,150	62,808	2,207	9,527	1,059	41,234	314,985
Additions	32	1,200	16	105	—	61,317	62,670
Disposals	—	—	—	—	(1,059)	—	(1,059)
Transfer	50,361	3,297	—	—	8,534	(62,192)	—
At 31 December 2018 and 1 January 2019	248,543	67,305	2,223	9,632	8,534	40,359	376,596
Additions	531	10	356	99	—	71,368	72,364
Disposals	—	—	—	—	—	—	—
Transfer	6,961	86	—	—	—	(7,047)	—
At 31 December 2019 and 1 January 2020	256,035	67,401	2,579	9,731	8,534	104,680	448,960
Additions	19	3,857	—	191	—	21,281	25,348
Disposals	—	—	—	(17)	—	—	(17)
Transfer	—	838	—	—	—	(838)	—
At 30 September 2020	256,054	72,096	2,579	9,905	8,534	125,123	474,291
Accumulated depreciation							
At 1 January 2017	19,654	10,194	1,250	3,717	792	—	35,607
Charge for the year	8,175	5,430	303	2,421	267	—	16,596
Disposals	—	(4)	—	—	—	—	(4)
At 31 December 2017 and 1 January 2018	27,829	15,620	1,553	6,138	1,059	—	52,199
Charge for the year	10,671	6,849	321	1,777	1,142	—	20,760
Disposals	—	—	—	—	(1,059)	—	(1,059)
At 31 December 2018 and 1 January 2019	38,500	22,469	1,874	7,915	1,142	—	71,900
Charge for the year	12,565	6,543	159	959	2,927	—	23,153
At 31 December 2019 and 1 January 2020	51,065	29,012	2,033	8,874	4,069	—	95,053
Charge for the period	9,605	5,099	93	159	2,134	—	17,090
Disposals	—	—	—	(17)	—	—	(17)
At 30 September 2020	60,670	34,111	2,126	9,016	6,203	—	112,126
Carrying amount							
At 30 September 2020	195,384	37,985	453	889	2,331	125,123	362,165
At 31 December 2019	204,970	38,389	546	857	4,465	104,680	353,907
At 31 December 2018	210,043	44,836	349	1,717	7,392	40,359	304,696
At 31 December 2017	170,321	47,188	654	3,389	—	41,234	262,786

As at 31 December 2017, 2018, 2019, and 30 September 2020, the carrying amounts of property, plant and equipment pledged as security for the Group's bank loans and other borrowings amounted to approximately RMB145,250,000, RMB139,913,000, RMB125,503,000 and RMB121,850,000 respectively.

17. RIGHT-OF-USE ASSETS

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	19,462	18,726	17,932	29,949
Additions	—	—	13,177	38,918
Depreciation	(754)	(717)	(1,156)	(1,057)
Written-off	—	(79)	—	—
Exchange differences	18	2	(4)	9
	18,726	17,932	29,949	67,819

Right-of-use assets comprised the leasehold lands in the PRC, and leased property in the PRC and France.

As at 31 December 2017, 2018, 2019, and 30 September 2020, the carrying amount of right-of-use assets pledged as security for the Group's bank loans amounted to approximately RMB18,079,000, RMB17,669,000, RMB17,260,000 and RMB16,953,000 respectively.

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.

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Depreciation expenses on right-of-use assets	754	717	1,156	856	1,057
Interest expense on lease liabilities (included in finance costs) (note 9)	71	40	184	138	125

Details of total cash outflow for leases is set out in note 34.

During the Track Record Period, the Group leases various offices and warehouses for its operations. Lease contracts are entered into for fixed term of 1 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.

18. INVESTMENTS IN SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follow:

Name of subsidiary	Place of incorporation / establishment	Authorised capital	Issued / paid up capital	Attributable equity interest of the Group	Principal activities
Generous Fortune	British Virgin Islands	US$50,000	US$50,000	100% (Direct)	Investment holding
Global New Material (HK)	Hong Kong	N/A	HK$10,000	100% (Indirect)	Investment holding
Chesir Pearl	The PRC	RMB 116,773,467	RMB 116,773,467	97.13% (Indirect) (31 December 2017, 2018, 2019 and 30 September 2020)	Manufacturing and sales of pearlescent pigment and synthetic mica
Shanghai Multicolor	The PRC	RMB 10,000,000	RMB 10,000,000	97.13% (Indirect) (31 December 2017, 2018, 2019 and 30 September 2020)	Trading of pearlescent pigment and synthetic mica
Chesir Luzhai	The PRC	RMB 104,927,076	RMB 104,927,076	58.32% (Indirect) (31 December 2018, 2019 and 30 September 2020) 97.13% (Indirect) (31 December 2017)	Manufacturing and sales of synthetic mica
Chesir France	France	EUR 50,000	EUR 50,000	97.13% (Indirect) (31 December 2017, 2018, 2019 and 30 September 2020)	Inactive

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 Luzhai
Principal place of business	The PRC

	As at 31 December 2018	As at 31 December 2019	As at 30 September 2020
% of ownership interests / voting rights held by NCI	41.68%/41.68%	41.68%/41.68%	41.68%/41.68%
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	150,578	157,178	145,174
Current assets	237,714	231,744	241,954
Non-current liabilities	—	—	—
Current liabilities	(8,711)	(5,714)	(3,240)
Net assets	379,581	383,208	383,888
Accumulated NCI	151,748	153,260	153,543

	Year ended 31 December 2018	Year ended 31 December 2019	Nine months ended 30 September 2019	Nine months ended 30 September 2020
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Revenue	89,847	59,776	40,862	44,401
Profit	4,193	3,627	3,703	679
Total comprehensive income	—	—	—	—
Profit allocated to NCI	1,748	1,512	1,543	283
Net cash generated from/(used in) operating activities	185	(26,178)	(22,388)	12,026
Net cash used in investing activities	—	(6,600)	(283)	(1,184)
Net cash generated from financing activities	150,000	—	—	—
Net increase/(decrease) in cash and cash equivalents	150,185	(32,778)	(22,671)	10,842

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.

19. INVENTORIES

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	6,424	12,752	3,931	6,181
Work in progress	23,059	35,904	36,863	42,598
Finished goods	25,419	25,764	39,340	29,362
	54,902	74,420	80,134	78,141

20. TRADE AND BILLS RECEIVABLES

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	80,197	141,763	120,714	170,040
Bills receivables	570	3,309	1,829	90
Allowance for doubtful debts	(1,677)	(1,053)	(851)	(4,884)
	79,090	144,019	121,692	165,246

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:

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 90 days	52,105	89,263	118,457	147,313
91 to 180 days	24,470	48,084	550	17,758
181 to 365 days	1,937	3,075	856	36
Over 365 days	8	288	—	49
	78,520	140,710	119,863	165,156

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	67,422	136,669	113,010	159,405
US$	11,098	3,512	6,853	5,751
Great British Pound ("GBP")	—	529	—	—
Total	78,520	140,710	119,863	165,156

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits	2,935	2,168	2,067	2,996
Prepayments	2,995	11,263	1,199	5,001
Value added tax recoverable	1,081	160	272	—
Other receivables	678	714	491	349
	7,689	14,305	4,029	8,346

22. AMOUNTS DUE FROM/(TO) A SHAREHOLDER / A DIRECTOR

The amounts due are unsecured, interest-free and have no fixed terms of repayment.

23. BANK AND CASH BALANCES

The carrying amounts of the Group's bank and cash balances are denominated in the following currencies:

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	66,265	169,395	555,581	604,577
US$	4	2,316	4,192	762
EUR	387	143	66	190
HK$	—	—	—	420
Total	66,656	171,854	559,839	605,949

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	Issued and fully paid
		RMB'000	*RMB'000*
Share capital of Chesir Pearl included in the Group			
At 1 January 2017, 31 December 2017 and 1 January 2018	83,100,000	83,100	83,100
Group reorganisation (note (a))	(83,100,000)	(83,100)	(83,100)
At 31 December 2018, 1 January 2019, 31 December 2019, 1 January 2020 and 30 September 2020	—	—	—
Share capital of the Company in ordinary shares of US$1 each			
- upon incorporation on 8 June 2018 (note (b))	—	330	—
- issue of 1 share at US$1 paid (note (b))	1	—	—
- issued and allotted of 49,999 shares at US$1 paid (note (b))	49,999	—	330
At 31 December 2018, 1 January 2019, 31 December 2019, 1 January 2020 and 30 September 2020	50,000	330	330

Notes:

(a) Upon the incorporation of the Company on 6 June 2018, the share capital of Chesir Pearl of RMB83,100,000 was transferred to merger reserve and share capital reflected that of the Company.

(b) The Company was incorporated in the Cayman Islands under the Cayman Islands Companies Act as an exempted company with limited liability on 6 June 2018 with an authorised share capital of US$1 divided into 1 share of US$1 each. On the same day, the initial subscribing shareholder transferred one issued share to Continuous Profit Limited at par and allotted credited as fully paid at par. The one share was transferred to Continuous Profit Limited on the same date for nominal consideration. On the same date, the Company issued and allotted 49,999 shares to Continuous Profit Limited as fully-paid at par value.

For the purpose of this report, the share capital as presented in the consolidated statements of the financial position as at 31 December 2017 represented the combined equity capital of the Company and its subsidiaries now comprising the Group after elimination of inter-company investments.

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.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by total equity. Total debt comprises bank loans and other borrowings, convertible loans and lease liabilities. Adjusted capital comprises all components of equity (i.e. share capital, retained profits and other reserves, etc.) except for non-controlling interests.

During the Track Record Period, the Group's strategy, which was unchanged from previous years, was to maintain the debt-to-equity ratio at a level of industry average.

The debt-to-adjusted capital ratios at 31 December 2017, 2018, 2019 and 30 September 2020 were as follows:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total debts	213,663	216,314	227,993	238,920
Less: Cash and cash equivalents	(66,656)	(171,854)	(559,839)	(605,949)
Net debt/(capital)	147,007	44,460	(331,846)	(367,029)
Total equity	220,369	298,101	712,208	813,511
Debt-to-adjusted capital ratio	67%	15%	N/A	N/A

The externally imposed capital requirements for the Group are to meet financial covenants attached to the interest-bearing borrowings.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowing during the Track Record Period.

25. RESERVES

(a) The Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statements of profit or loss and other comprehensive income and consolidated statements of changes in equity.

(b) The Company

	Accumulated losses
	RMB'000
At 8 June 2018 (date of incorporation)	—
Total comprehensive income for the period	(48)
At 31 December 2018 and 1 January 2019	(48)
Total comprehensive income for the year	(33)
At 31 December 2019 and 1 January 2020	(81)
Total comprehensive income for the period	(4,011)
At 30 September 2020	(4,092)

(c) Nature and purpose of reserves

(i) Merger reserve

Merger reserve arose as a result of the group reorganisation upon incorporation of the Company on 6 June 2018. The share capital of Chesir Pearl was transferred to merger reserve and share capital reflected that of the Company.

(ii) Other reserve

Other reserve arose as a result of excess of capital contribution over the share capital of the subsidiaries.

(iii) Convertible loans reserve

The convertible loans reserve represents the value of the unexercised equity component of convertible loans issued by a subsidiary recognised in accordance with the accounting policy adopted for convertible loans in note 3(m) to the Historical Financial Information.

(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 3(b) to the Historical Financial Information.

(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.

26. BANK LOANS AND OTHER BORROWINGS

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank loans	176,000	175,500	137,740	137,640
Other borrowings				
- Secured	8,334	10,617	17,989	22,133
- Unsecured	—	—	—	5,485
	184,334	186,117	155,729	165,258

The bank loans and other borrowings are repayable as follows:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	29,842	181,146	11,953	74,302
More than one year, but not exceeding two years	154,492	2,757	68,410	82,456
More than two years, but not more than five years	—	2,214	75,366	8,500
	184,334	186,117	155,729	165,258
Less: Amount due for settlement within 12 months (shown under current liabilities)	(29,842)	(181,146)	(11,953)	(74,302)
	154,492	4,971	143,776	90,956

The carrying amounts of the Group's bank loans and other borrowings are denominated in the following currencies:

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	184,334	186,117	155,729	159,773
HK$	—	—	—	5,485
	184,334	186,117	155,729	165,258

The average interest rates at 31 December/30 September were as follows:

	As at 31 December			As at 30 September
	2017	2018	2019	2020
Secured bank loans	6.50% per annum	6.49% per annum	7.18% per annum	7.18% per annum
Other borrowings				
- Secured	7.00% per annum	7.67% per annum	8.72% per annum	8.85% per annum
- Unsecured	—	—	—	2.00% per annum

Bank loans and other borrowings of approximately RMB25,000,000, RMB31,656,000, RMB142,230,000 and RMB145,615,000 as at 31 December 2017, 2018, 2019 and 30 September 2020 respectively 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 are secured by the Group's property, plant and equipment (note 16) and right-of-use assets (note 17) and also secured by the corporate guarantees from related parties, together with personal guarantees of a director of the Company and the close family members of a director of the Company and pledged by non-controlling equity interests of the Group held by related parties.

The Group's secured other borrowings are secured by the Group's property, plant and equipment (note 16) and also secured by the corporate guarantees from related parties, together with personal guarantees of a director of the Company and the close family members of a director of the Company.

27. CONVERTIBLE LOANS

2017 Convertible Loan

The unlisted, guaranteed and secured convertible loan was issued by Chesir Pearl, a subsidiary of the Group on 6 January 2017 with a nominal value of RMB30,000,000. ("2017 Convertible Loan").

If 2017 Convertible Loan is not converted, it will be redeemed at par on 6 January 2019. It has coupon rate of 11% per annum on the principal amount outstanding and interest will be paid quarterly in arrears until that settlement date.

If the holder of 2017 Convertible Loan requests a share conversion within one year from the date of issue of 2017 Convertible Loan, the conversion price shall be the lower of the latest non-public offering of equity financing of Chesir Pearl after the date of issue of 2017 Convertible Loan or RMB10 per share.

If the holder of 2017 Convertible Loan requests a share conversion after one year from the date of issue of 2017 Convertible Loan but before the settlement date on 6 January 2019, the conversion price is the latest non-public offering of equity financing of Chesir Pearl after the date of issue of 2017 Convertible Loan and RMB10 per share, whichever is lower, times 110%.

Under certain conditions as stipulated in the agreement of 2017 Convertible Loan ("Early Repayment Conditions") occurs during the loan period of 2017 Convertible Loan, the holder of 2017 Convertible Loan has the right to require Chesir Pearl to repay 2017 Convertible Loan in advance, or if the holder of 2017 Convertible Loan has converted shares in accordance with the contract of 2017 Convertible Loan, the holder of 2017 Convertible Loan has the right to require the then Chesir Pearl's prevailing controlling shareholder to repurchase all or some of the converted shares.

In the inception date of 2017 Convertible Loan, the directors has assessed that the probability of the occurrence of the Early Repayment Conditions were remote and eventually these Early Repayment Conditions also had not been occurred. The directors has also assessed the fair value of the derivative component of early repayment option of 2017 Convertible Loan are immaterial in both the inception date of 2017 Convertible Loan and in each subsequent reporting period end during the loan period, and thus the liability of the derivative component of early repayment option of 2017 Convertible Loan has not been recognised during the Track Record Period.

2017 Convertible Loan is guaranteed by the then prevailing controlling shareholder of Chesir Pearl, a director of Chesir Pearl and his spouse and secured by pledged of certain equity interest of Chesir Pearl held by the prevailing controlling shareholder of Chesir Pearl.

The net proceeds received from the issue of 2017 Convertible Loan has been split between the liability element and the derivative component, as follows:

	RMB'000
Nominal value of 2017 Convertible Loan issued	30,000
Derivative component	(2,536)
Liability component at date of issue	27,464
Interest charged (note 9)	4,435
Interest paid	(3,199)
Liability component at 31 December 2017 and 1 January 2018	28,700
Interest charged (note 9)	4,713
Interest paid	(3,492)
Liability component at 31 December 2018 and 1 January 2019	29,921
Interest charged (note 9)	79
Repayment of the liability component	(30,000)
Liability component at 31 December 2019	—
Derivative component at date of issue	2,536
Fair value gain for the year	(1,972)
Derivative component at 31 December 2017 and 1 January 2018	564
Fair value gain for the year	(564)
Derivative component at 31 December 2018, 1 January 2019 and 31 December 2019	—

The interest charged is calculated by applying an effective interest rate of 17.16% to the liability component for the 24 month period since 2017 Convertible Loan was issued.

The directors estimate the fair value of the liability component of 2017 Convertible Loan at 31 December 2017 and 31 December 2018 to be approximately RMB28,700,000 and RMB29,921,000 respectively. This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

The derivative component of 2017 Convertible Loan is measured at its fair value at the date of issue of 2017 Convertible Loan 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:

	Date of issue	31 December 2017	31 December 2018
Weighted average share price of Chesir Pearl	RMB10.50	RMB10.70	RMB7.38
Weighted average exercise price of Chesir Pearl	RMB10	RMB10	RMB11
Expected volatility	57.28%	39.38%	36.05%
Expected life	2.00 years	1.02 years	0.02 year
Risk free rate	2.86%	3.84%	2.45%
Expected dividend yield	14.57%	15.13%	15.21%

Information about level 3 fair value measurements

	Valuation techniques	Significant unobservable input	Range	Effect on fair value for increase of inputs
Derivative component of 2017 Convertible Loan	Binomial option pricing model	Expected volatility	2017: 57.28% to 39.38% 2018: 39.38% to 36.05%	2017: Increase

The fair value of derivative component of 2017 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 2017, it is estimated that with all other variables held constant, an increase in the expected volatility by 10% would have decreased/increased the Group's profit by approximately RMB503,000 and RMB391,000 respectively.

As at 31 December 2018, the fair value of derivative component of 2017 Convertible Loan was insensitive to the change in expected volatility.

2019 Convertible Bonds

The unlisted, guaranteed and unsecured convertible loan was issued by Chesir Pearl on 31 May 2019 with a nominal value of RMB72,240,000. The convertible loan is convertible at 8,000,000 shares of Chesir Pearl per RMB9.03 convertible loan ("2019 Convertible Bonds").

If 2019 Convertible Bonds is not converted, it will be redeemed at par on 31 May 2021. It has coupon rate of 8% per annum on the principal amount outstanding and interest will be paid annually in arrears until that settlement date.

If Chesir Pearl fails to complete or meet the qualifications for a qualified listing before 31 December 2020, and the holders of 2019 Convertible Bonds has not exercised the debt-to-equity swap option, the holders of 2019 Convertible Bonds has the right (but not the obligation) to choose to extend the loan period of 2019 Convertible Bonds to 31 December 2021, and the coupon rate of 2019 Convertible Bonds during the extension period is remained at 8% per annum.

During the loan period and extension period, when one of the following situations occurs, the holders of 2019 Convertible Bonds have the right (but not the obligation) to choose to convert its 2019 Convertible Bonds into ordinary share of Chesir Pearl; the holders of 2019 Convertible Bonds also has the right to convert its 2019 Convertible Bonds into ordinary share of Chesir Pearl after 30 September 2019 regardless of the occurrence of the following situations:

- Chesir Pearl meets the qualifications for a qualified listing; or

- The loan period expires and Chesir Pearl does not have any breach of 2019 Convertible Bonds contract. "Qualified listing" refers to the Chesir Pearl's initial public offering of shares and listing and trading of its shares on the Shanghai Stock Exchange, the Shenzhen Stock Exchange or other overseas stock exchanges (such as the Hong Kong Stock Exchange and the Singapore Stock Exchange, etc.) recognised by the holders of 2019 Convertible Bonds.

2019 Convertible Bonds is guaranteed by the prevailing controlling shareholder of Chesir Pearl and a director of Chesir Pearl.

The net proceeds received from the issue of 2019 Convertible Bonds has been split between the liability element, the derivative component of extension option and an equity component, as follows:

	RMB'000
Nominal value of 2019 Convertible Bonds issued	72,240
Derivative component of extension option	(522)
Equity component	(8,163)
Liability component at date of issue	63,555
Interest charged (note 9)	5,551
Liability component at 31 December 2019 and 1 January 2020	69,106
Interest charged (note 9)	7,572
Interest paid	(5,779)
Liability component at 30 September 2020	70,899
Derivative component of extension option at date of issue	522
Fair value loss for the year	1,120
Derivative component of extension option at 31 December 2019 and 1 January 2020	1,642
Fair value loss for the period	2,428
Derivative component of extension option at 30 September 2020	4,070

The interest charged is calculated by applying an effective interest rate of 15.44% to the liability component for the 24 month period since 2019 Convertible Bonds was issued.

The directors estimate the fair value of the liability component of 2019 Convertible Bonds at 31 December 2019 and 30 September 2020 to be approximately RMB69,106,000 and RMB70,899,000 respectively. This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

The derivative component of extension option of 2019 Convertible Bonds is measured at its fair value at the date of issue of 2019 Convertible Bonds 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:

	Date of issue	**31 December 2019**	**30 September 2020**
Weighted average share price of Chesir Pearl	RMB9.41	N/A	N/A
Weighted average exercise price of Chesir Pearl	RMB9.03	RMB9.03	RMB9.03
Expected volatility	44.24%	45.60%	42.07%
Expected life	2.0 years	1.4 years	0.7 year
Risk free rate	2.81%	2.43%	2.55%
Expected dividend yield	15.44%	15.08%	14.52%

Information about level 3 fair value measurements

	Valuation techniques	**Significant unobservable input**	**Range**	**Effect on fair value for increase of inputs**
Derivative component of extension option of 2019 Convertible Bonds	Binomial option pricing model	Expected volatility	31 December 2019: 44.24% to 45.60% 30 September 2020: 45.60% to 42.07%	31 December 2019 and 30 September 2020: Increase

The fair value of derivative component of extension option of 2019 Convertible Bonds is determined using binomial option pricing model and the significant unobservable input in the fair value measurement is expected volatility. As at 31 December 2019 and 30 September 2020, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 10% would have decreased/increased the Group's profit by approximately RMB230,000 and RMB226,000 respectively and RMB737,000 and RMB432,000 respectively.

28. LEASE LIABILITIES

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 December			As at 30 September	As at 31 December			As at 30 September
	2017	2018	2019	2020	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	394	102	705	708	353	85	543	569
In the second to fifth years, inclusive	226	168	2,889	2,403	170	121	2,586	2,194
After five years	121	78	33	—	106	70	29	—
	741	348	3,627	3,111	629	276	3,158	2,763
Less: Future finance charges	(112)	(72)	(469)	(348)	N/A	N/A	N/A	N/A
Present value of lease obligations	629	276	3,158	2,763				
Less: Amount due for settlement within 12 months (shown under current liabilities)					(353)	(85)	(543)	(569)
Amount due for settlement after 12 months					276	191	2,615	2,194

The carrying amounts of the Group's lease liabilities are denominated in the following currencies:

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	397	62	2,970	2,584
EUR	232	214	188	179
	629	276	3,158	2,763

29. DEFERRED REVENUE

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grant	12,182	12,902	10,179	8,149

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed as:				
Current liabilities	2,487	2,723	2,692	1,924
Non-current liabilities	9,695	10,179	7,487	6,225
	12,182	12,902	10,179	8,149

The deferred revenue arises in respect of the Group's government grant.

The deferred revenue arises as a result of the benefit received from government grant received in 31 December 2017, 2018, 2019 and 30 September 2020 respectively (note 7).

30. DEFERRED TAX

Deferred tax assets

	Doubtful debts
	RMB
At 1 January 2017	700
Credit to profit or loss for the year (note 9)	44
At 31 December 2017 and 1 January 2018	744
Credit to profit or loss for the year (note 9)	446
At 31 December 2018 and 1 January 2019	1,190
Credit to profit or loss for the year (note 9)	—
At 31 December 2019 and 1 January 2020	1,190
Credit to profit or loss for the period (note 9)	—
At 30 September 2020	1,190

31. TRADE PAYABLES

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

	As at 31 December			**As at 30 September**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 90 days	6,920	21,328	24,439	19,825
91 to 180 days	5,478	2,511	5,486	705
181 to 365 days	4,817	—	16	165
Over 365 days	—	—	—	15
	17,215	23,839	29,941	20,710

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	14,009	23,765	28,773	18,353
US$	3,206	74	1,168	2,357
Total	17,215	23,839	29,941	20,710

32. ACCRUALS AND OTHER PAYABLES

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accruals	11,978	12,309	20,470	17,315
Other payables	12,236	19,530	10,420	14,869
	24,214	31,839	30,890	32,184

33. CONTRACT LIABILITIES

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities				
Deposit received in advance	416	2,398	710	383

Movements in contract liabilities:

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January	140	416	2,398	710
Decrease in contract liabilities as a result of recognising revenue during the year/period was included in the contract liabilities at the beginning of the period	(140)	(416)	(2,398)	(710)
Increase in contract liabilities as a result of deposit received in advance	416	2,398	710	383
Balance at 31 December/30 September	416	2,398	710	383

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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 2017	Cash flows	Interest expenses	Recognition of derivative component of convertible loans	31 December 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings	176,000	(2,028)	10,362	—	184,334
Convertible loans	—	26,801	4,435	(2,536)	28,700
Lease liabilities	934	(376)	71	—	629
	176,934	24,397	14,868	(2,536)	213,663

	1 January 2018	Cash flows	Interest expenses	31 December 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings	184,334	(10,443)	12,226	186,117
Convertible loans	28,700	(3,492)	4,713	29,921
Lease liabilities	629	(393)	40	276
	213,663	(14,328)	16,979	216,314

	1 January 2019	Entering into new leases and exchange difference	Cash flows	Interest expenses	Recognition of derivative and equity components of convertible loans	31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings	186,117	—	(43,727)	13,339	—	155,729
Convertible loans	29,921	—	42,240	5,630	(8,685)	69,106
Lease liabilities	276	3,409	(711)	184	—	3,158
	216,314	3,409	(2,198)	19,153	(8,685)	227,993

	1 January 2019	Entering into new leases and exchange difference	Cash flows	Interest expenses	Recognition of derivative and equity components of convertible loans	30 September 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Bank loans and other borrowings	186,117	—	(36,407)	9,846	—	159,556
Convertible loans	29,921	—	42,240	3,194	(8,685)	66,670
Lease liabilities	276	3,409	(534)	138	—	3,289
	216,314	3,409	5,299	13,178	(8,685)	229,515

	1 January 2020	Exchange difference	Cash flows	Interest expenses	30 September 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings	155,729	—	1,398	8,131	165,258
Convertible loans	69,106	—	(5,779)	7,572	70,899
Lease liabilities	3,158	9	(529)	125	2,763
	227,993	9	(4,910)	15,828	238,920

35. CONTINGENT LIABILITIES

As at 31 December 2017, 2018, 2019, and 30 September 2020, the Group did not have any significant contingent liabilities.

36. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of reporting financial period during the Track Record Period but not yet incurred are as follows:

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	11,908	11,873	589,952	568,332

37. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the Historical Financial Information, The Group had the following transactions and balances with its related parties during the Track Record Period:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Loan from a related party					
Beginning of the year/period	—	—	—	—	—
Loans advanced	13,600	—	—	—	—
Loan repayments made	(13,600)	—	—	—	—
End of the year/period	—	—	—	—	—

The related party, 廣西鴻尊投資集團有限公司, (Guangxi Hongzun Investment Group Co., Ltd) is controlled by Mr. SU Ertian (蘇爾田先生) and Mr. ZHENG Shizhan (鄭世展先生), who are the directors of the Company.

38. EVENTS AFTER THE REPORTING PERIOD

On 16 October 2020, a convertible bonds transfer agreement was entered into pursuant to which the holders of 2019 Convertible Bonds transferred their 2019 Convertible Bonds in the principal amount of RMB72,240,000 to a new bond holder for RMB73.6 million, pursuant to which the new bond holder was the sole holder of the 2019 Convertible Bonds. On 19 October 2020, the new bond holder fully settled the amount of consideration and on the same date, the new bond holder was registered as the sole holder of the 2019 Convertible Bonds.

On 19 October 2020, Chesir Pearl and the new bond holder entered into a convertible bond conversion agreement for the purpose of converting the 2019 Convertible Bonds into 8,000,000 shares of Chesir Pearl. These shares were issued to the new bond holder on the same date.

[●]

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 September 2020.