


## SUMMARY AND HIGHLIGHTS

This section aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to [REDACTED].

There are risks associated with any investment. Some of the particular risks in [REDACTED] are set forth in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to [REDACTED].

### OVERVIEW

We are the largest pearlescent pigment producer in the PRC market as measured by revenue in 2020 with a market share of 11.0%, according to the Frost & Sullivan Report. In the global market, we are the fourth largest pearlescent pigment producer as measured by revenue in 2020 with a market share of 3.0%. Our principle products include natural mica-based and synthetic mica-based pearlescent pigment products. Pearlescent pigment products are generally used as colourants in a wide range of industrial and non-industrial applications. The synthetic mica-based pearlescent pigment market is in a state of rapid development and accounted for 15.8% of the PRC pearlescent pigment market of RMB4,843.9 million in 2020. The market size of the global pearlescent pigment market reached RMB18.9 billion in 2020, in which the synthetic mica-based pearlescent pigment market accounted for a market share of 11.7%.

Our business principally focuses on the production and sales of a comprehensive portfolio of pearlescent pigment products for use in diverse applications and industries, including industrial coatings, plastics, textiles and leather, cosmetics and automotive coatings. We are a midstream producer in the value chain of pearlescent pigment industry. Our pearlescent pigment products can be broadly divided into (a) natural mica-based pearlescent pigment products; (b) synthetic mica-based pearlescent pigment products; (c) glass flake-based pearlescent pigment products; and (d) silicon oxide-based pearlescent pigment products, and they are sold to customers in the PRC and more than 30 countries and territories in Asia (excluding the PRC), Europe, Africa and South America under our brand of “Chesir Pearl”  CHESIR. In addition, we also produce and sell synthetic mica powder of different granule sizes which can be used for the production of different grades of pearlescent pigment products (including those used in cosmetics, ceramics and automotive applications) and also as raw materials for the production of functional fillers, insulating materials, refractory materials and nickel-hydrogen batteries.

Our pearlescent pigment products primarily use natural mica, synthetic mica, glass flakes and silica as substrates, which are coated with a single or multiple layers of metal oxides. As of the Latest Practicable Date, our pearlescent pigment products comprised a comprehensive portfolio of various applications, colours, texture and glossiness, which include 473 natural mica-based pearlescent pigment products, 266 synthetic mica-based pearlescent pigment products, 30 glass flake-based pearlescent pigment products and five silicon oxide-based pearlescent pigment products. Our synthetic mica powder products are of different granule sizes.

Our research and development efforts focus on the development of new products and applications, improving our production and processing technology, enhancing our efficiency and upgrading our production plant and machinery. Our research and development efforts are well recognised and we have received a number of awards and recognitions. We obtained the accreditation of “National Intellectual Property Advantage Enterprise” (國家知識產權優勢企業) in 2017 and “Innovative Technology Exemplary Enterprise” (技術創新示範企業) in Guangxi Zhuang Autonomous Region in 2018. One of our registered patents was awarded with gold award in 2014 and three registered patents were awarded with silver award in 2014, 2017 and 2018 in “Guangxi Invention Creation Exhibition and Trade Fair Project” (廣西發明創造成果展覽交易會項目).

As a result of our devoted efforts and commitments, we have achieved significant revenue growth during the Track Record Period. Our revenue increased significantly by 38.5% from RMB318.2 million in 2018 to RMB440.6 million in 2019. Our revenue further increased by 29.2% to RMB569.1 million during the year ended 31 December 2020.

According to the Frost & Sullivan Report, the market size of the global pearlescent pigment market is expected to reach RMB44.6 billion by 2025 at a CAGR of 23.9% from 2021 to 2025, among which synthetic mica-based pearlescent pigment is expected to account for a market share of 23.6%. The PRC pearlescent pigment market is also in a state of rapid development and is expected to reach RMB14.2 billion by 2025 at a CAGR of 30.8% from 2021 to 2025, among which synthetic mica-based pearlescent pigment products market is expected to reach RMB4.6 billion, accounting for a market share of 32.6%.

See page 84 to 100 of this document for further information.

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STRENGTHS

We believe that the following strengths have contributed to our success and distinguish us from our competitors:

- We are one of the largest pearlescent pigment product producers in the PRC.
- Our proprietary production technologies and well-designed production plant and machinery are key to ensuring our product quality.
- We have strong research and development capability.
- We have a strong marketing team.
- We have an experienced management team.

See page 137 to 142 of this document for further information.

STRATEGIES

We intend to continue to increase our market share in the pearlescent pigment and synthetic mica industries. To achieve our goals, we plan to pursue the following strategies:

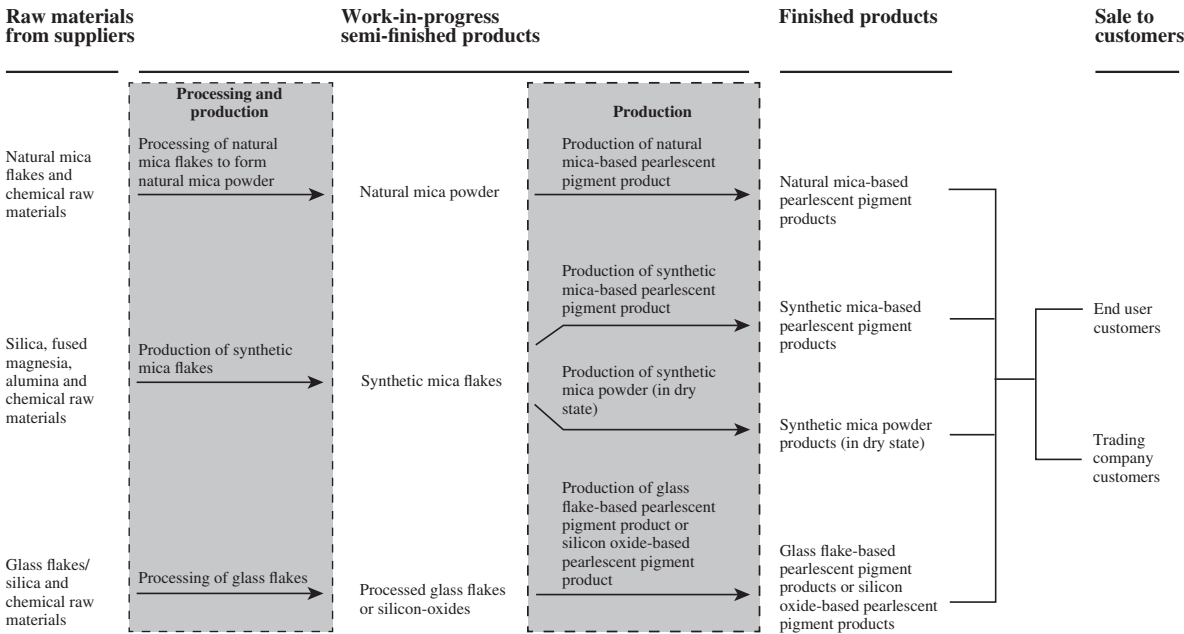
- Expand our production capacity for the production of pearlescent pigment products.
- Further strengthen our research and development capability.
- Enhance our market position through promoting our brand awareness.

See page 142 to 154 of this document for further information.

BUSINESS MODEL

Our pearlescent pigment products primarily use natural mica, synthetic mica, glass flakes and silica as substrates, which are coated with a single or multiple layers of metal oxides. Our pearlescent pigment products broadly include (a) natural mica-based pearlescent pigment products; (b) synthetic mica-based pearlescent pigment products; (c) glass flake-based pearlescent pigment products; and (d) silicon oxide-based pearlescent pigment products.

Our pearlescent pigment products are sold to trading company customers and end user customers for different industrial applications. We also produce synthetic mica powder products of different granule sizes for sales to our customers. Our products are sold in the PRC and international markets under our own brand of “Chesir Pearl”. The diagram below illustrates our business model:



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PRODUCTS

Pearlescent pigment is produced by coating of the substrate with a layer or multiple layers of metal oxides with high refractive index, and is used to simulate the inherent lustre, brilliance and gleam of natural pearls. Owing to the layered structure, light is reflected at different levels in the pearlescent pigment, causing reflected lights to interfere with each other, leading to amplification and

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cancellation, which creates the pearlescent effect in the form of unique lustre and gleam. Through the use of different substrates and adjustment to the thickness of the coatings in the production of pearlescent pigment, there can be variation in the refractive indices and optical path leading to different light reflection and formation of a variety of colours and colour effects. Pearlescent pigment products have remarkable chemical properties such as temperature resistance, weather resistance, lightfastness, water resistance and colour fastness. Pearlescent pigment products also cover diverse colour spectrum and offer distinctive lustre properties and colour intensity.

Our pearlescent pigment products can be broadly divided into (a) natural mica-based pearlescent pigment products; (b) synthetic mica-based pearlescent pigment products; (c) glass flake-based pearlescent pigment products; and (d) silicon oxide-based pearlescent pigment products. Our pearlescent pigment products are used as colourant in diverse applications and industries, including industrial coatings, plastics, textiles and leather, cosmetics and automotive coatings. As of the Latest Practicable Date, we offered four principal categories of pearlescent pigment products under different product series with different colours, particle sizes and lustre level as follows:

- (a) 473 natural mica-based pearlescent pigment products under 17 series of different colours, texture and glossiness;
- (b) 266 synthetic mica-based pearlescent pigment products under 14 series of different colours, texture and glossiness;
- (c) 30 glass flake-based pearlescent pigment products under two series which has different transparency, refractive index and flake structure; and
- (d) five silicon oxide-based pearlescent pigment products under one series.

We also produce synthetic mica powder of different granule sizes. Our synthetic mica powder is used by us for the production of synthetic mica-based pearlescent pigment products. Our synthetic mica powder can also be used as raw materials for the production of functional fillers, insulating materials, refractory materials and nickel-hydrogen batteries. During the Track Record Period, we only sold a small portion of synthetic mica powder to our customers.

### **Downstream applications of our pearlescent pigment products**

Our pearlescent pigment products can be used in different downstream applications as follows:

#### ***Industrial coatings***

Pearlescent pigment possesses physical stability and can be used in coatings of various forms including solvent-based, water-based and pigment powder. Pearlescent pigment, can withstand high temperature and has high resistance to acid and alkali. These properties make pearlescent pigment suitable in industrial coatings. During the Track Record Period, the revenue generated from our sales to end user customers which engaged in industrial coatings industry amounted to RMB41.2 million, RMB58.3 million and RMB60.2 million, respectively.

#### ***Plastics***

Pearlescent pigment is used in plastics industry for its weather resistance, light and thermal stability as well as the stability against chemical and mechanical impact. Pearlescent pigment can give metallic and pearl lustre to plastics products and provide an even finish minimising cracks and pores on the plastics surface. During the Track Record Period, the revenue generated from our sales to end user customers which engaged in plastics industry amounted RMB12.0 million, RMB16.9 million and RMB20.7 million, respectively.

#### ***Cosmetics***

Pearlescent pigment has high colour saturation level and provide a wide array of colour, sparkle, shimmer and glitter effects to cosmetics. During the Track Record Period, the revenue generated from our sales to end user customers which engaged in cosmetics industry amounted RMB0.5 million, RMB9.1 million and RMB5.1 million, respectively.

#### ***Automotive coatings***

Pearlescent pigment is widely used in automotive coatings due to its physical attributes of anti-corrosion, colour strength, durability, good coverage, chemical inertness, weather resistance, light and thermal stability, as well as the ability to withstand harsh environmental conditions and UV exposure. The glossiness and the clean properties of the pearlescent pigment also provide premium lustre finishes to automobiles and are extensively used in the manufacturing of cars. During the Track Record Period, the revenue generated from our sales to end user customers which engaged in automotive coatings industry amounted RMB0.5 million, RMB1.0 million and RMB2.1 million, respectively.

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### Printing

Pearlescent pigment is widely used as printing ink in the printing industry and can be used with different printing techniques, including gravure, letterpress printing, flexographic printing and screen printing and applied to various substrates including paper and cardboard, textiles, plastics, metal, glass and wood. Pearlescent pigment is used in printing for its good dispersion, consistency and viscosity. Apart from the ability to create various optical effects and pearl lustre effect, pearlescent pigment also has high water resistance, good light resistance, temperature stability and light fastness, which increase its use as printing ink for both decorative and functional purposes.

### Textiles and leather

Pearlescent pigment has the characteristics of wear resistance, thermal resistance, good air and water permeability and corrosion resistance to organic solvents, and has been increasingly used in surface colouring and surface processing for manufacturing of leather goods and is widely used in leather, textiles and upholstery applications. During the Track Record Period, the revenue generated from our sales to end user customers which engaged in textiles and leather industry amounted RMB5.8 million, RMB7.5 million and RMB15.5 million, respectively.

### Ceramics

Pearlescent pigment can withstand high temperature and can be used in various kinds of ceramic applications, including in-glaze, on-glaze, single-firing and third-firing. During the Track Record Period, the revenue generated from our sales to end user customers which engaged in ceramics industry amounted RMB0.7 million, RMB1.2 million and RMB2.1 million, respectively.

### Sales revenue, sales volume average selling price and gross profit margin

#### Sales revenue

The table below sets forth an analysis of our revenue by products for the Track Record Period:

	Year ended 31 December					
	2018		2019		2020	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
Pearlescent pigment products						
- Natural mica-based . . . . .	245,321	77.1	295,510	67.1	318,957	56.0
- Synthetic mica-based . . . . .	68,280	21.5	124,705	28.3	197,141	34.6
- Glass flakes-based . . . . .	1,375	0.4	13,865	3.1	46,821	8.2
- Silicon oxide-based . . . . .	—	—	75	—*	2,869	0.5
	314,976	99.0	434,155	98.5	565,788	99.4
Synthetic mica powder . . . . .	3,268	1.0	6,428	1.5	3,325	0.6
<b>Total</b>	<b>318,244</b>	<b>100.0</b>	<b>440,583</b>	<b>100.0</b>	<b>569,113</b>	<b>100.0</b>

\* Value insignificant

#### Sales volume and average unit selling price

The table below sets forth the sales volume and the average unit selling price by products for the Track Record Period:

	Year ended 31 December					
	2018		2019		2020	
	Sales volume	Average unit selling price	Sales volume	Average unit selling price	Sales volume	Average unit selling price
	(tonnes)	(RMB'000 per tonne)	(tonnes)	(RMB'000 per tonne)	(tonnes)	(RMB'000 per tonne)
Pearlescent pigment products						
- Natural mica-based . . . . .	7,217.9	34.0	8,822.4	33.5	10,056.8	31.7
- Synthetic mica-based . . . . .	1,228.8	55.6	2,231.8	55.9	3,943.5	50.0
- Glass flakes-based . . . . .	4.4	312.6	42.4	327.0	158.9	294.7
- Silicon oxide-based . . . . .	—	—	0.1	750.0	5.9	486.3
	8,451.1	37.3	11,096.7	39.1	14,165.1	39.9
Synthetic mica powder . . . . .	84.4	38.7	167.8	38.3	78.2	42.5
<b>Total</b>	<b>8,535.5</b>		<b>11,264.5</b>		<b>14,243.3</b>	

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The average unit selling prices of our natural mica-based and synthetic mica-based pearlescent pigment products remained generally stable during the two years ended 31 December 2019. However, during the year ended 31 December 2020, the average unit selling prices of natural mica-based and synthetic-mica based pearlescent pigment products decreased by 5.4% and 10.6%, respectively. Such decreases were caused by our marketing initiative to reduce the selling prices of selected pearlescent pigment products in response to the outbreak of the COVID-19 pandemic.

The average unit selling prices of our glass flakes-based pearlescent pigment products decreased from RMB327,000 per tonne for the year ended 31 December 2019 to RMB294,700 per tonne for the year ended 31 December 2020, primarily due to our competitive pricing strategy to enhance our sales to trading company customers. As a result, an increasing proportion of our sales of glass flakes-based pearlescent pigment products were sold to trading company customers. During the two years ended 31 December 2020, sales to trading company customers accounted for 71.5% and 89.8%, respectively, of the sales revenue of glass flakes-based pearlescent pigment products.

The average unit selling prices of our silicon oxide-based pearlescent pigment products decreased by 35.2% during the year ended 31 December 2020. Such decrease was primarily due to the increasing sales to the trading company customers, which accounted for 99.2% of the total revenue generated from such sales for the year ended 31 December 2020, as compared to 40.0% for the year ended 31 December 2019. Such increase was part of our sales strategies for the promotion of such pearlescent pigment products.

### ***Gross profit and gross profit margin***

The table below sets forth the amount of gross profit and gross profit margin for our major products during the Track Record Period:

	Year ended 31 December					
	2018		2019		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Pearlescent pigment products						
- Natural mica-based . . . . .	105,203	42.9	123,765	41.9	129,192	40.5
- Synthetic mica-based . . . . .	38,526	56.4	78,189	62.7	109,123	55.4
- Glass flakes-based . . . . .	1,215	88.4	12,287	88.6	40,990	87.5
- Silicon oxide-based . . . . .	—	—	67	89.3	2,535	88.4
	144,944	46.0	214,308	49.4	281,840	49.8
Synthetic mica powder . . . . .	2,003	61.3	3,969	61.7	2,225	66.9
<b>Total</b>	<b>146,947</b>	<b>46.2</b>	<b>218,277</b>	<b>49.5</b>	<b>284,065</b>	<b>49.9</b>

Although the average selling prices of our pearlescent pigment products continued to decrease throughout the Track Record Period, we were able to maintain our gross profit margins during the Track Record Period.

Our overall gross profit margin increased to 49.5% during the year ended 31 December 2019 from 46.2% during the year ended 31 December 2018. Such increase was principally due to (a) the increase in the sales to end user customers from 19.1% of the total revenue for the year ended 31 December 2018 to 21.3% of the total revenue for the year ended 31 December 2019; (b) the modest increases in the average selling prices of our pearlescent pigment products; and (c) effective control of our cost of goods sold. In addition, the continuous improvements in our gross profit margin during the Track Record Period was also due to the increases in the percentage of sales of the synthetic mica-based pearlescent pigment products which had relative higher average unit selling prices than those of the natural mica-based pearlescent pigment products during the Track Record Period.

Our overall gross profit margin was 49.9% during the year ended 31 December 2020 which was comparable to 49.5% during the year ended 31 December 2019. The modest difference in the gross profit margin was mainly attributable to the increase in the percentage of sales of synthetic mica-based pearlescent pigment products which could achieve higher gross profit margins.



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The table below sets forth the amount of gross profit and gross profit margin by nature of our customers during the Track Record Period:

	Year ended 31 December					
	2018		2019		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Trading company customers . .	114,425	44.4	163,367	47.1	224,921	48.5
End user customers . . . . .	32,522	53.6	54,910	58.4	59,144	56.0
<b>Total</b>	<b>146,947</b>		<b>218,277</b>		<b>284,065</b>	

See page 155 to 160 of this document for further information.

## CUSTOMERS

Our pearlescent pigment products and synthetic mica powder products are sold to trading company customers and end user customers. During the Track Record Period, a significant percentage of our sales of pearlescent pigment products and synthetic mica powder were sold to trading company customers. Our end user customers include manufacturers in different industries, such as automotive coatings, cosmetics, industrial coatings, plastics, printing, textile and leather and ceramics, which use our pearlescent pigment products as colourants and use our synthetic mica powder for the production of pearlescent pigment products and as raw material for the production of functional fillers, insulating materials, refractory materials and nickel-hydrogen batteries. The table below sets forth an analysis of our sales to end user customers and trading company customers in the PRC and international markets during the Track Record Period:

	Year ended 31 December								
	2018			2019			2020		
	Number	<i>RMB'000</i>	<i>% of total revenue</i>	Number	<i>RMB'000</i>	<i>% of total revenue</i>	Number	<i>RMB'000</i>	<i>% of total revenue</i>
Trading company customers									
- PRC . . . . .	190	241,028	75.7	185	325,628	73.9	206	441,662	77.6
- International . . . . .	22	16,579	5.2	28	20,981	4.8	29	21,821	3.8
	212	257,607	80.9	213	346,610	78.7	235	463,483	81.4
End user customers									
- PRC . . . . .	69	52,175	16.4	77	84,800	19.2	120	97,509	17.1
- International . . . . .	13	8,462	2.7	8	9,173	2.1	12	8,121	1.5
	82	60,637	19.1	85	93,973	21.3	132	105,630	18.6
<b>Total</b>	<b>294</b>	<b>318,244</b>	<b>100.0</b>	<b>298</b>	<b>440,583</b>	<b>100.0</b>	<b>367</b>	<b>569,113</b>	<b>100.0</b>

The table below sets forth an analysis of our sales to trading customers and end user customers by products during the Track Record Period:

	Year ended 31 December					
	2018		2019		2020	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Trading company customers						
- Pearlescent pigment products . . .	256,866	80.7	344,734	78.2	463,367	81.4
- Synthetic mica powder . . . . .	741	0.2	1,876	0.5	116	—*
	257,607	80.9	346,610	78.7	463,483	81.4
End user customers						
- Pearlescent pigment products . . .	58,111	18.3	89,421	20.3	102,421	18.0
- Synthetic mica powder . . . . .	2,526	0.8	4,552	1.0	3,209	0.6
	60,637	19.1	93,973	21.3	105,630	18.6
<b>Total</b>	<b>318,244</b>	<b>100.0</b>	<b>440,583</b>	<b>100.0</b>	<b>569,113</b>	<b>100.0</b>

\* Value insignificant

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The table below sets forth the amount of gross profit and gross profit margin by nature of our customers during the Track Record Period:

	Year ended 31 December					
	2018		2019		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Trading company customers . . . . .	114,425	44.4	163,367	47.1	224,921	48.5
End user customers . . . . .	32,522	53.6	54,910	58.4	59,144	56.0
<b>Total</b>	<b>146,947</b>		<b>218,277</b>		<b>284,065</b>	

During the Track Record Period, we sold our products in the PRC and to more than 30 countries and territories in Asia (excluding the PRC), Europe, Africa and South America. The table below sets forth an analysis of our revenue by delivery destinations for the Track Record Period:

	Year ended 31 December					
	2018		2019		2020	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
PRC						
- Eastern region . . . . .	239,526	75.2	332,282	75.4	436,527	76.7
- Western region . . . . .	24,408	7.7	36,635	8.3	45,267	8.0
- Central region . . . . .	29,269	9.2	41,511	9.4	57,378	10.1
	293,203	92.0	410,428	93.1	539,172	94.8
Asia . . . . .	11,351	3.6	14,084	3.2	13,287	2.3
Europe . . . . .	10,144	3.2	13,653	3.1	11,174	2.0
Africa . . . . .	2,944	0.9	2,058	0.5	5,276	0.9
South America . . . . .	602	0.2	360	0.1	205	—*
<b>Total</b>	<b>318,244</b>	<b>100.0</b>	<b>440,583</b>	<b>100.0</b>	<b>569,113</b>	<b>100.0</b>

\* Value insignificant

See page 161 to 177 of this document for further information.

The table below sets forth an analysis of revenue by downstream industries of end user customers during the Track Record Period:

	Year ended 31 December					
	2018		2019		2020	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
Industrial coatings . . . . .	41,178	67.9	58,261	62.0	60,204	57.0
Plastics . . . . .	12,031	19.8	16,918	18.0	20,716	19.6
Textiles and leather . . . . .	5,778	9.5	7,514	8.0	15,467	14.6
Cosmetics . . . . .	466	0.8	9,118	9.7	5,092	4.8
Ceramics . . . . .	682	1.1	1,212	1.3	2,082	2.0
Automotive coatings . . . . .	471	0.8	950	1.0	2,054	2.0
Others . . . . .	31	0.1	—	—	15	—*
<b>Total</b>	<b>60,637</b>	<b>100.0</b>	<b>93,973</b>	<b>100.0</b>	<b>105,630</b>	<b>100.0</b>

\* Value insignificant

We have no control over the business of the trading company customers, which are Independent Third Parties, and have no right to obtain any information from the trading company customers on the downstream industries their customers are engaged in.

Our Phase 1 Production Plant is situated at No. 380, Feilu Road (Pearlescent Industrial Park), Luzhai Town, Luzhai County, Liuzhou City, Guangxi Zhuang Autonomous Region, the PRC, and is strategically located adjacent to the highways network which provides convenient access for the delivery of raw materials and finished products.

As of the Latest Practicable Date, our Phase 1 Production Plant occupied a total site area of 99,688.2 sq.m. with an aggregate gross floor area of 56,445.6 sq.m., including eight factory buildings, an office building, staff quarter and certain ancillary facilities. Our Phase 1 Production Plant has commenced production of pearlescent pigment products since 2014 and operates on 24 hours every day supported by three working shifts of labour.

The table below sets forth our designed production/processing capacity, actual production/processing volume and the utilisation rate of our Phase 1 Production Plant during the Track Record Period:

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(1) The calculation of the utilisation rates is based on the actual production/processing volume divided by the designed production/processing capacity in a given year.

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### SUPPLIERS AND RAW MATERIALS

The principal raw materials used in our production process include natural mica flakes and titanium tetrachloride. Natural mica flakes are used as raw material for the production of natural mica-based pearlescent pigment products. Titanium tetrachloride is a major chemical raw material used for the metal oxide coating in the production of natural mica-based pearlescent pigment products, synthetic mica-based pearlescent pigment products, glass flake-based pearlescent pigment products and silicon oxide-based pearlescent pigment products. We procure most of our raw materials in the PRC, except for some natural mica flakes and certain high-end glass flakes which are imported from India and Australia, respectively. Some of our natural mica flakes procured from suppliers in the PRC are imported from overseas countries, including India and Madagascar. We are also exploring alternative source of supply of natural mica flakes from Brazil, Nigeria and Pakistan and high-end glass flakes from Japan to ensure we have adequate supply of natural mica flakes and high-end glass flakes in response to potential trade restriction or trade tension with the PRC.

The table below sets forth an analysis of our purchase cost of raw materials during the Track Record Period:

	Year ended 31 December					
	2018		2019		2020	
	<i>RMB'000</i>	<i>% of total cost of purchase of raw materials</i>	<i>RMB'000</i>	<i>% of total cost of purchase of raw materials</i>	<i>RMB'000</i>	<i>% of total cost of purchase of raw materials</i>
Raw materials						
— Natural mica flakes . .	39,050	30.9	40,930	24.6	51,270	24.5
— Other raw materials . .	10,473	8.3	18,747	11.3	25,393	12.1
	<u>49,523</u>	<u>39.2</u>	<u>59,677</u>	<u>35.9</u>	<u>76,663</u>	<u>36.6</u>
Chemical raw materials						
— Titanium tetrachloride.	51,100	40.4	70,158	42.2	75,467	36.1
— Other chemical raw materials . . . . .	17,196	13.6	25,910	15.6	41,025	19.6
	<u>68,296</u>	<u>54.0</u>	<u>96,068</u>	<u>57.8</u>	<u>116,492</u>	<u>55.7</u>
Packaging materials . . . .	6,518	5.2	8,092	4.9	11,196	5.3
Furnace materials and utensils . . . . .	2,098	1.7	2,274	1.4	4,974	2.4
<b>Total</b>	<u>126,435</u>	<u>100.0</u>	<u>166,111</u>	<u>100.0</u>	<u>209,325</u>	<u>100.0</u>

See page 191 to 198 of this document for further information.

## SUMMARY AND HIGHLIGHTS

### FINANCIAL INFORMATION

#### Selected information on our consolidated statements of profit or loss

The table below sets forth selected information on our consolidated statements of profit or loss for the Track Record Period:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Revenue . . . . .	318,244	440,583	569,113
Cost of goods sold . . . . .	(166,917)	(218,222)	(280,246)
Sales related tax and auxiliary charges . . . . .	(4,380)	(4,084)	(5,002)
Gross profit. . . . .	146,947	218,277	284,065
Other income and other gains and losses. . . . .	4,971	5,295	14,778
Reversals of impairment losses on trade and other receivables/(Impairment losses for trade and other receivables) . . . . .	612	208	(4,118)
Selling expenses . . . . .	(13,347)	(23,292)	(24,607)
Administrative and other operating expenses <sup>(1)</sup> . . . . .	(35,568)	(56,712)	(72,898)
<b>Profit from operations</b>	<b>103,615</b>	<b>143,776</b>	<b>197,220</b>
Finance costs. . . . .	(15,869)	(18,475)	(19,399)
<b>Profit before tax</b>	<b>87,746</b>	<b>125,301</b>	<b>177,821</b>
Income tax expense. . . . .	(6,382)	(17,968)	(24,960)
<b>Profit for the year</b>	<b>81,364</b>	<b>107,333</b>	<b>152,861</b>
Attributable to			
Owners of our Company . . . . .	77,400	102,806	148,172
Non-controlling interests . . . . .	3,964	4,527	4,689
	<u>81,364</u>	<u>107,333</u>	<u>152,861</u>

Note:

- (1) Our administrative and other operating expenses increased from RMB35.6 million during the year ended 31 December 2018 to RMB56.7 million during the year ended 31 December 2019, representing an increase of 59.5%. The increase was primarily due to the expenses incurred for the recruitment of additional administrative staff and the related travelling and business development expenses. During the year ended 31 December 2019, we also incurred RMB23.2 million for our research and development activities, as compared to RMB10.7 million during the year ended 31 December 2018, which were charged to profit or loss.

Our administrative and other operating expenses further increased from RMB56.7 million during the year ended 31 December 2019 to RMB72.9 million during the year ended 31 December 2020, representing an increase of 28.5%. The increase was primarily due to the amount of the [REDACTED] expenses incurred by us and charged to profit or loss of RMB13.2 million during the year ended 31 December 2020.

## SUMMARY AND HIGHLIGHTS

### Selected information on our consolidated statements of financial position

The table below sets forth selected information on our consolidated statements of financial positions as of 31 December 2018, 2019 and 2020:

	As of 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
<b>Assets</b>			
Non-current assets . . . . .	340,185	411,717	555,791
Current assets . . . . .	404,928	766,024	1,038,513
<b>Total assets</b>	<u>745,113</u>	<u>1,177,741</u>	<u>1,594,304</u>
<b>Equity</b>			
Equity attributable to owners of our Company . . . . .	298,101	712,208	1,181,239
Non-controlling interests . . . . .	156,858	161,385	166,074
<b>Total equity</b>	<u>454,959</u>	<u>873,593</u>	<u>1,347,313</u>
<b>Liabilities</b>			
Non-current liabilities . . . . .	15,341	222,984	82,761
Current liabilities . . . . .	274,813	81,164	164,230
<b>Total liabilities</b>	<u>290,154</u>	<u>304,148</u>	<u>246,991</u>
<b>Total equity and liabilities</b>	<u>745,113</u>	<u>1,177,741</u>	<u>1,594,304</u>
<b>Net current assets<sup>(1)</sup></b>	<u>130,115</u>	<u>684,860</u>	<u>874,283</u>
<b>Net assets<sup>(2)</sup></b>	<u>454,959</u>	<u>873,593</u>	<u>1,347,313</u>

*Notes:*

- (1) The amount represents the difference between our current assets and our current liabilities. As of 31 December 2018, 2019 and 2020, we had net current assets of RMB130.1 million, RMB684.9 million and RMB874.3 million, respectively. The increase in our net current assets as of 31 December 2019 was primarily due to the increase in our bank and cash balance as a result of our operating results and the net proceeds received from the equity offering by Chesir Pearl in June 2019 and the issuance of the 2019 Convertible Bonds. The increase in our bank and cash balances as of 31 December 2020 was mainly due to the receipt of the net proceeds from the [REDACTED] Investments by GX Land & Sea and Mr. SU.
- (2) The amount represents the difference between our total assets and our total liabilities. As of 31 December 2018, 2019 and 2020, we had net assets of RMB455.0 million, RMB873.6 million and RMB1,347.3 million, respectively. The significant increases in our net assets as of 31 December 2019 and 2020 were primarily due to the increase in our net current assets as set forth in note (1) above and the reserve arose from the issue of new shares by Chesir Pearl (further information on which is set forth in the Accountants' Report). In addition, the significant increase in our net assets as of 31 December 2020 was also due to the conversion of the 2019 Convertible Bonds on 19 October 2020 and the increase in our construction in progress being part of the Phase 2 Production Plant.

## SUMMARY AND HIGHLIGHTS

### Selected information on consolidated statements of cash flows

The table below sets forth selected information on our consolidated statements of cash flows for the Track Record Period:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Operating cash flow before movements in working capital .	120,019	164,591	222,962
Changes in working capital . . . . .	(74,263)	30,399	(85,727)
Interest paid and/or tax paid . . . . .	(19,737)	(31,446)	(40,664)
Net cash generated from operating activities . . . . .	26,019	163,544	96,571
Net cash used in investing activities . . . . .	(72,386)	(90,071)	(166,386)
Net cash generated from financing activities . . . . .	151,563	314,514	257,556
Net increase in cash and cash equivalents . . . . .	105,196	387,987	187,741
Cash and cash equivalents at beginning of year . . . . .	66,656	171,854	559,839
Effect of foreign exchange rate changes . . . . .	2	(2)	2
<b>Cash and cash equivalents at end of year</b>	<b>171,854</b>	<b>559,839</b>	<b>747,582</b>

See page 288 to 358 of this document for further information.

### ACCUMULATED LOSS PRIOR TO THE TRACK RECORD PERIOD

Chesir Pearl had accumulated loss of RMB23.3 million brought forward as of 1 January 2018. Such amount was primarily due to the fact that Chesir Pearl only commenced commercial operation during the year ended 31 December 2015, whilst it had made substantial amount of investments in the production facilities and the product development since its establishment in March 2011. Such amount of accumulated loss could not be offset by the operating profit of Chesir Pearl during the two years ended 31 December 2017. See the section headed “Financial Information — Summary of business development of Chesir Pearl prior to the Track Record Period — Overall development” in this document for further information.

Since the beginning of 2017, Chesir Pearl managed to develop and produce more high-end pearlescent pigment products for industrial applications and expand the product offerings, which increased the amount of revenue. During the Track Record Period, Chesir Pearl launched 15, 56 and 42 new products, respectively, and the average unit selling prices of pearlescent pigment products continued to increase throughout the Track Record Period. In addition, our Group has achieved significant revenue growth due to the increase in the production and sales volume of our core products and the number of our customers. As a result, our Company’s retained earnings have been improved to RMB33.9 million as of 31 December 2018, RMB126.7 million as of 31 December 2019 and RMB273.9 million as of 31 December 2020.

## SUMMARY AND HIGHLIGHTS

### KEY FINANCIAL RATIOS

				Year ended 31 December		
		Numerator	Denominator	2018	2019	2020
Gross profit margin	(%)			46.2%	49.5%	49.9%
Net profit margin	(%)			25.6%	24.4%	26.9%
Return on equity	(%)	Profit for the year	Equity	17.9%	12.3%	11.3%
Return on total assets	(%)	Profit for the year	Total assets	10.9%	9.1%	9.6%
Gearing ratio <sup>(1)</sup>	(%)	Total liabilities	Equity	63.8%	34.8%	18.3%
Current ratio	Times	Current assets	Current liabilities	1.47	9.44	6.32
Quick ratio	Times	Current assets-Inventories	Current liabilities	1.20	8.45	5.86
Net debt to equity ratio <sup>(2)</sup>	Times	Bank loans and other borrowings net of bank and cash balances	Equity	3.1%	Net Cash	Net Cash

*Notes:*

- (1) Gearing ratio is calculated based on our total liability divided by our total equity as of the end of each reporting year and multiplied by 100%.
- (2) Net debt to equity ratio is calculated by dividing our net debt, being our total bank loans and other borrowings net of bank and cash balances, by total equity as of the end of each reporting year and multiplied by 100%.

See page 358 to 360 of this document for further information.

### [REDACTED]

The table below sets forth the estimate of [REDACTED] from the [REDACTED] which we will receive after deduction of [REDACTED] and estimated expenses in connection with the [REDACTED]:

	Assuming the [REDACTED] is not exercised	Assuming the [REDACTED] is exercised in full
	HK\$'million	HK\$'million
Assuming an [REDACTED] of HK\$[REDACTED] (being the low-end of the indicative range of the [REDACTED]) . . . . .	HK\$[REDACTED]	HK\$[REDACTED]
Assuming an [REDACTED] of HK\$[REDACTED] (being the mid-point of the indicative range of the [REDACTED]) . . . . .	HK\$[REDACTED]	HK\$[REDACTED]
Assuming an [REDACTED] of HK\$[REDACTED] (being the high-end of the indicative range of the [REDACTED]) . . . . .	HK\$[REDACTED]	HK\$[REDACTED]

Assuming that the [REDACTED] would be HK\$[REDACTED], being the mid-point of the indicative range of the [REDACTED], we intend to use the [REDACTED] from the [REDACTED] for the following purposes:

- (1) [REDACTED]% of the [REDACTED], or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used for partial financing of the construction of our Phase 2 Production Plant, of which (a) HK\$[REDACTED] (equivalent to RMB[REDACTED]) will be used for the construction of various buildings and facilities for our Phase 2 Production Plant and (b) HK\$[REDACTED] (equivalent to RMB[REDACTED]) will be used for the purchase and installation of production plant and machinery, installation of intelligent control system, equipment installation, testing and commission. Our Phase 2 Production Plant will be used for the production of pearlescent pigment products and in particular, high-end pearlescent pigment products with a designed annual production capacity of 30,000 tonnes. See the section headed “Future Plans and [REDACTED] — Construction of our Phase 2 Production Plant” in this document for further information.

## **SUMMARY AND HIGHLIGHTS**

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- (2) [REDACTED]% of the [REDACTED], or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used for partial financing of the construction of our Luzhai Synthetic Mica Plant, of which (a) HK\$[REDACTED] (equivalent to RMB[REDACTED]) will be used for the construction of various building and facilities for our Luzhai Synthetic Mica Plant and (b) HK\$[REDACTED] (equivalent to RMB[REDACTED]) will be used for the purchase and installation of 60 synthetic mica melting furnaces and the intelligent control system. Our Luzhai Synthetic Mica Plant will be used for the production of synthetic mica flakes with an estimated designed annual production capacity of 30,000 tonnes. See the section headed “Future Plans and [REDACTED] — Construction of our Luzhai Synthetic Mica Plant” in this document for further information.
- (3) [REDACTED]%, or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used to increase our investment in research and development facilities and testing equipment of our research and development centre.
- (4) [REDACTED]%, or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used for sales and marketing activities and building sales network to enhance our brand recognition in the PRC and overseas.
- (5) [REDACTED]%, or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used as our working capital and other general corporate purposes.

To the extent that the [REDACTED] are not immediately required for the above purposes and to the extent permitted by applicable law and regulations, if we are unable to effect any part of our future plans as intended, we will deposit the unused [REDACTED] in short-term deposits with authorised financial institutions and/or licensed banks in Hong Kong or the PRC.

See page 367 to 378 of this document for further information.

## **OUR CONTROLLING SHAREHOLDERS**

Our Controlling Shareholders are Mr. SU, Ertian International, Seven Color Pearl Investment, Liuzhou Qise LP, Liuzhou Lianrun LP, Liuzhou Colorful LP, Mr. ZHENG, Mr. JIN, Hongzun Investment and Hongzun International, and they are a group of Controlling Shareholders for the purpose of the Listing Rules. Immediately upon completion of the [REDACTED] (without taking into consideration any Shares which may be issued upon the exercise of the [REDACTED] any option that may be granted under the [REDACTED] Share Option Scheme), our Controlling Shareholders will beneficially own an aggregate of [REDACTED]% of our Shares in issue.

See page 266 to 268 of this document for further information.

## **[REDACTED] INVESTMENTS**

For the purpose of the [REDACTED] and as part of the Reorganisation, we have received equity investments from three [REDACTED] Investors, namely GX Land & Sea, Guidong Electric and Mr. SU (through Ertian International and Seven Color Pearl Investment). Mr. SU and Guidong Electric are existing equity holders of Chesir Pearl, and they have made additional equity investments to Chesir Pearl by way of subscription for new shares of Chesir Pearl and exercise of the conversion right attached with the 2019 Convertible Bonds, respectively. GX Land & Sea is a new investor with its equity investment made through Generous Fortune for the purpose of facilitating the conversion of Chesir Pearl into a sino-foreign equity joint venture for the purpose of the [REDACTED]. Their equity investments constitute our [REDACTED] investments as defined in the Guidance Letters HKEx-GL29-12 (updated in March 2017), HKEx-GL-43-12 (updated in July 2013 and March 2017) and HKEx-GL44-12 (updated in March 2017) issued by the Stock Exchange.

In addition, there were 69 completed transactions involving the transfer of an aggregate 27,493,141 shares of Chesir Pearl. The transferees in these transactions (other than Mr. SU and Mr. WEI Seguang (韦色广)), who have exchanged their shares of Chesir Pearl into the shares of Generous Fortune pursuant to the Chesir Pearl Equity Acquisition Agreement and ultimately our Shares by way of the Cayman Share Swap, have become part of the Consent Chesir Pearl Equity Holders and ultimately, our Shareholders through the Reorganisation. These transferees are deemed to be our [REDACTED] Investors as they acquire the issued share of Chesir Pearl in contemplation of the [REDACTED].

See page 126 to 134 of this document for further information.



## SUMMARY AND HIGHLIGHTS

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[REDACTED]

### [REDACTED] EXPENSES

Assuming the [REDACTED] of HK\$[REDACTED], being the mid-point of the indicative range of the [REDACTED], the total amount of [REDACTED] expenses (including the [REDACTED] in connection with the [REDACTED]) is estimated to be RMB[REDACTED], representing [REDACTED]% of the [REDACTED] of HK\$[REDACTED]. Out of this amount, RMB[REDACTED] will be accounted for as a deduction from equity upon the [REDACTED]. [REDACTED] expenses of RMB13.2 million were charged to the profit or loss during the year ended 31 December 2020. We expect that an additional amount of [REDACTED] expenses of RMB[REDACTED] would be charged to the profit or loss for the year ending 31 December 2021. [REDACTED] expenses are non-recurring in nature, and the amount stated above is only the best estimate of our Directors as of the Latest Practicable Date and for reference only. The actual amount of [REDACTED] expenses may differ from the above estimated amount. We do not expect [REDACTED] expenses to have a material impact on our operating results for the year ending 31 December 2021.

### DIVIDENDS

During the Track Record Period, we did not declare and pay any dividend to our Shareholders. Following the [REDACTED], dividends may be paid out by way of cash or by such other means as we consider appropriate. Declaration and payment of any dividends would require the recommendation of our Directors and will be at their discretion. In addition, any final dividend for a financial year will be subject to the approval of our Shareholders. A decision to declare or pay any dividend in the future, and the amount of any of such dividends, depends on a number of factors, including our results of operations, financial condition, amount of capital expenditures, payment by our subsidiaries of cash dividends to us and other factors our Directors may deem relevant. There can be no assurance that our Company will be able to declare or distribute any dividend in the future. Our Company currently does not have any fixed dividend pay-out ratio.

### PRINCIPAL RISK FACTORS

Our business operations and the [REDACTED] involve certain risks and uncertainties. See the section headed “Risk Factors” in this document for further information. Some of the major risk factors are set forth as follows:

- Our sales are dependent on the PRC and global economy, and any significant economic downturn in the PRC and global economy could adversely affect our business, financial condition, results of operations and prospects.
- Our business performance is dependent upon the adequate supply of natural mica flakes at reasonable price. Any significant disruption in the supply or significant fluctuation in the price of natural mica flakes may affect our results of operations.
- Changes in international trade policies and barriers to trade or the emergence of a trade war may have an adverse effect on our business and expansion plans.
- Our performance could be adversely affected by any decrease in our sales to our key customers.
- We do not have long-term purchase commitments from our customers and our performance may be subject to volatility and uncertainty in our revenue.

## **SUMMARY AND HIGHLIGHTS**

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- Our production and operation are subject to extensive environmental protection laws and regulations, and compliance with these laws and regulations may be costly.
- We may not be able to fully utilise our production capacity due to insufficient or unstable demand or interruption in the production process.
- We may fail to derive benefits from our research and development efforts, keep pace with and respond to technological changes and evolving industry standards in an efficient and timely manner, which may adversely affect our business and results of operation.
- The construction of our Phase 2 Production Plant and our Luzhai Synthetic Mica Plant might not be completed as planned, may exceed our original budget and might not achieve the intended economic results or commercial viability.
- Any material disruption to the operation of our production facilities could materially and adversely affect our business and financial condition and operating results.
- We may not be able to adequately protect our intellectual property rights and any unauthorised use of our intellectual property rights by competitors or third parties, and the expenses incurred in protecting such intellectual property rights, may adversely affect our business and reputation.

See page [20] to [52] of this document for further information.

### **RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE**

#### **Our performance during the three months ended 31 March 2021**

Our business continues to grow during the three months ended 31 March 2021. Based on the unaudited financial information, our revenue during the three months ended 31 March 2021 increased by 20.5% as compared to the corresponding period in 2020. Our gross profit margin increased during the three months ended 31 March 2021, as compared to the three months ended 31 March 2020, primarily due to the increase sales of synthetic mica-based and glass flakes-based pearlescent pigment products which had higher gross profit margin than natural mica-based pearlescent pigment products.

During the three months ended 31 March 2021, the production volume and the sales volume of our pearlescent pigment products increased by 47.8% and 21.7%, respectively, as compared to the corresponding period in 2020. The utilisation rate of our production facilities for the production of pearlescent pigment products increased from 74.1% for the three months ended 31 March 2020 to 85.3% for the three months ended 31 March 2021. We recorded a lower utilisation rate of our production facilities during the first quarter of 2020 due to the extension of the Chinese New Year holiday as a result of the COVID-19 pandemic.

#### **[REDACTED] expenses**

Our operating results during the year ended 31 December 2020 were affected by the [REDACTED] expenses charged to the profit or loss. The [REDACTED] expenses in the total amount of RMB[REDACTED] were charged to the profit or loss during the year ended 31 December 2020. We expect that an additional amount of [REDACTED] expenses of RMB[REDACTED] would be charged to the profit or loss for the year ending 31 December 2021.

There was no interruption to our business that has have or may have a significant effect on our financial position in the last 12 months. Except to the extent disclosed in this document and the [REDACTED] expenses in connection with the [REDACTED], our Directors confirm that there has been no material adverse change in our financial, operational or trading position since 31 December 2020 (being the date as of which our latest audited consolidated financial statements were prepared as set forth in the Accountants' Report) and up to the date of this document.

### **IMPACT OF THE COVID-19 PANDEMIC**

#### **Overall business environment**

Since early 2020, the COVID-19 pandemic has materially and adversely affected the global economy as well as the economy in the PRC. The PRC Government and other governments around the world have implemented strict measures to contain the pandemic. Our pearlescent pigment products are generally used as colourant in different downstream applications, such as automotive coatings, cosmetics, industrial coatings, plastics, printing, textile and leather and ceramics, and on this basis, we are not particularly affected by the COVID-19 pandemic as all such end products will require colourant to complete the production process. The cost of colourant only represents a small percentage of the cost of production of the end products. Our Director therefore consider that we are not in the industries which are severely affected by the COVID-19. According to the Frost & Sullivan Report, with gradual recovery from the COVID-19 pandemic, the pearlescent pigment market in the PRC is expected to continue to maintain its growth momentum.

## **SUMMARY AND HIGHLIGHTS**

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### **Our performance**

In around February 2020, our business was slightly affected by the lockdown imposed by the PRC Government in Hubei Province in response to the COVID-19 pandemic. We were not able to deliver our products to our customers and our production activities were suspended during the period from 1 February 2020 to 10 February 2020. As a result, our operating results during the first quarter of 2020 were adversely affected due to the combined impact of the extension of the Chinese New Year holiday and the measures implemented by the PRC Government to contain the pandemic. With the decrease in the number of confirmed cases of COVID-19 in the PRC and the effective quarantine measures, the PRC economy was stabilised during the second and the third quarters of 2020. Our revenue during the year ended 31 December 2020 bounced back with increases in our sales to customers in the PRC and other countries, and as a result our profitability had also improved, as compared to the amounts of revenue and profit during the year ended 31 December 2019. In addition, despite the short suspension of our production during the first quarter of 2020, there had not been any significant impact on the utilisation rate of our production facilities in 2020 which had increased to 98.3% as compared to 87.4% during the year ended 31 December 2019. With the decrease in the number of confirmed cases of COVID-19 in the PRC and the general recovery of the economic and the social activities, our Directors consider that it would be unlikely that our production activities would be suspended again due to the COVID-19 pandemic.

Our Directors accept that the COVID-19 pandemic has a profound impact on the global business and economic outlook at large. Some of our customers, particularly those engaged in international trade, were affected in various ways and to different extent. In response to the current situation, we have slightly reduced the average unit selling prices during the year ended 31 December 2020 and have extended the credit period provided to our customers on a case-by-case basis. These measures have resulted in an increase in the balance of trade and other receivables as of 31 December 2020, but there was no significant increase in the impairment loss as of 31 December 2020. Our travelling and business development expenses had also increased during the same period due to more frequent customers' visits made by our sales personnel after the lifting of the lockdown measures in the PRC.

Our performance for the year ended 31 December 2020 was significantly better than that for the year ended 31 December 2019. Our revenue and profit during the year ended 31 December 2020 had bounced back with the increase in our sales to customers in the PRC, as compared to the revenue and profit for the year ended 31 December 2019.

Our sales in the PRC during the year ended 31 December 2020 grew by 31.4% as compared to our sales in the PRC during the year ended 31 December 2019, with insignificant impact on our sales in the PRC market caused by COVID-19 pandemic. Our Directors believe that this was primarily due to the fact that we had continued our efforts to promote our products during the pandemic and the fact that our business is not in the industries which are severely hit by the pandemic.

Our sales to overseas customers during the year ended 31 December 2020 recorded a slight decline of 0.7% as compared to our overseas sales during the year ended 31 December 2019. Sales to almost all international markets (other than Africa) had slightly decreased primarily due to the impact of COVID-19 pandemic. Nevertheless, with gradual recovery of global economic activities, our Directors have not noticed that the COVID-19 pandemic has created any imminent and adverse impact on our sales to the international markets.

As of the Latest Practicable Date, there was no COVID-19 case confirmed amongst our employees. We have adopted a series of precautionary steps to prevent the spread of the COVID-19 within our production facilities and offices, and such measures include, disinfecting our production facilities and offices on a regular basis, measuring body temperature of all employees and visitors entering our production facilities and offices, maintaining detailed business travel history of our employees and providing face masks and disinfectant to our employees.

As of the Latest Practicable Date, we have not received from our customers any notification of cancellation or postponement of delivery of all or part of their purchase orders due to the COVID-19 pandemic. Our Directors also confirm that up to the Latest Practicable Date, we have not encountered or do not expect to encounter any material disruption to our supply chain because of the COVID-19 pandemic. Our Directors do not consider that there would be disruption to the continuous supply of natural mica flakes from India as such supply was not interrupted during the outbreak of COVID-19 in 2020 and the first quarter of 2021. Moreover, we also sourced natural mica flakes from other countries, such as Madagascar, Brazil, Nigeria and Pakistan. Our Directors believe that we would not encounter any interruption to the supply of natural mica flakes in the near future based on the publicly available information.

## **SUMMARY AND HIGHLIGHTS**

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Currently, our Directors believe that our expansion plans as disclosed in the section headed “Business — Our strategies” in this document are feasible and appropriate. Based on the information publicly available to them, our Directors do not envisage any change in the [REDACTED] as a result of the COVID-19 pandemic.

### **Hypothetical scenario of suspension of a substantial part of our business operations due to the COVID-19 pandemic**

If we were required to reduce or suspend a substantial part of our business operations due to the COVID-19 pandemic in the PRC and other countries with which we have business relationship, our Directors believe that our Group would continue to have sufficient liquidity and financial resources and would remain financially sound and viable for at least 16 months from May 2021. This estimation is based on the following assumptions:

- (a) we would be required to suspend all of our business operations from May 2021 and the corresponding level of our production activities has also been suspended;
- (b) we would not incur any variable production costs, sales and marketing costs and research and development costs other than staff wages and salaries;
- (c) we would not be required to repay our payables and borrowings prior to the agreed repayment dates;
- (d) we would not encounter any significant difficulty in collecting our trade receivables, which would be collected from our customers based on the historical settlement patterns and the turnover days;
- (e) our inventories would not be used by us given that all business operations and production activities has been suspended since May 2021;
- (f) we would not need to rely on any external debt or equity financing other than the amount of the [REDACTED] designated to be used as our general working capital; and
- (g) the outstanding capital expenditure in respect of the [REDACTED] would continue as planned.

The above analysis is for illustrative purpose only and our Directors are of the view that our business would not encounter such extreme and hypothetical situation, given the fact that the PRC government has implemented stringent measures in controlling the spread of the COVID-19 pandemic and has successfully implemented various policies to promote economic growth.