

RISK FACTORS

An [REDACTED] involves various risks. You should consider carefully all the information set forth in this document and, in particular, the risks and uncertainties described below before making an [REDACTED].

As an [REDACTED] is meant to produce returns over the long-term, you should not expect to obtain short-term gains. The [REDACTED], and the income that may be derived from selling them, may rise or fall and may not fully reflect the underlying net assets attributable to them. You may not get back your original investment and you may not receive any distributions.

The occurrence of any of the following events could materially and adversely affect our business and financial condition, operating results and business prospects. If any of these events occurs, the [REDACTED] could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (a) risks relating to our business; (b) risks relating to the industry in which we operate; (c) risk relating to COVID-19; (d) risks relating to doing business in China; and (e) risks relating to the [REDACTED].

RISKS RELATING TO OUR BUSINESS

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.

During the Track Record Period, a significant portion of our revenue was derived from sales to customers in the PRC. We also exported our products to the international markets, including countries and territories in Asia, Europe, Africa and South America. As our pearlescent pigment products and synthetic mica powder are raw materials for the manufacturing of a variety of products in various downstream applications, such as industrial coatings, plastics, textiles and leather, cosmetics and automotive coatings, the demand for our products is dependent on the demand from these downstream industries. The performance and growth of the downstream industries and thus the demand for our products is dependent on, among other things, the conditions of the global market and, in particular, the PRC economy. The general economic conditions, interest rate levels, inflation and unemployment rates, demographic trends, GDP growth and consumer confidence are, among other factors, that influence the growth of the downstream industries in which our pearlescent pigment products and synthetic mica powder are used or applied. As a result, any downturn in the relevant industries in the PRC or international markets could impact our sales, resulting in downward pressure on our selling price, sales volume and profit margins, which could materially and adversely affect our business, financial condition, results of operations and prospects.

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The PRC economy and the demand from our customers have grown significantly in recent years. However, we cannot assure you that this level of growth will continue in the future. Any significant slowdown in economic growth and deteriorating economic conditions in the PRC and the international markets or downturn in our downstream industries may reduce the demand for our products and materially and adversely affect our business, financial condition, results of operations and profitability.

See the section headed “Industry Overview — Overview of the global mica market — Average selling prices and average cost of mica products” in this document for further information. If the cost of natural mica flakes increases significantly, our gross margin will decrease.

Rising political tensions and current tensions in international trade may have an adverse effect on our business and expansion plans.

International market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. Changes to trade policies, treaties and tariffs in the jurisdictions which our products are sold to or our raw materials are procured from, or the perception that these changes could occur, could adversely affect our financial position and results of operations. Recently there have been heightened tensions in international economic relations, in particular between the United States and China. While the two nations have reached a phase one trade agreement in January 2020, there remain uncertainties as to whether the United States will impose additional tariffs on Chinese products in the near future or trade tension may intensify between China and the United States. The amount of revenue generated from our sales in the PRC represented more than 90% of our total revenue during the Track Record Period. Should any of our major PRC customers become targeted under sanctions or export control restrictions, our business may be adversely affected. In particular, Chinese companies or individuals targeted under U.S. economic sanctions may lose access to the U.S. markets and the U.S. financial system, including the ability to use U.S. dollars to conduct transactions, settle payments or to maintain accounts with the U.S. financial institutions. Further, U.S. entities and individuals may not be permitted to do business with the sanctioned companies and persons and international banks and other companies may as a matter of law and/or policy decide not to engage in business or transaction with such companies or individuals.

Any escalation in trade tensions or the occurrence of a trade war, or the perception that such escalation or trade war would occur, may also have tremendous negative impact on the economies of not merely the two countries concerned, but the global economy as a whole. Any further escalation in trade or other tensions between the United States and China or news and rumours of any escalation, could introduce uncertainties to China’s economy and the global economy. Rising political tensions could reduce levels of trades, investments and other economic activities between the two major economies, which would materially and adversely affect the global economic conditions and the stability of global financial markets and in turn adversely impacting our business, financial condition, and results of operations.

We sold our products to more than 30 countries and territories in Asia (excluding the PRC), Europe, Africa and South America and intend to expand our international sales in the future. The sales of our products to and the procurement of raw materials such as natural mica from international markets expose us to a number of risks, including foreign exchange rate fluctuations, increased security inspection standards, increased transportation costs, inexperience in local market conditions,

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and failure to obtain or maintain qualifications for our products and raw materials overseas. We cannot predict whether overseas countries or regions would subject us to any additional tariffs and trade restrictions or in which type. To comply with various commercial and legal requirements overseas, including unanticipated changes in prevailing economic conditions and regulatory environment as well as trade barriers on import, export or tariffs, will also increase our operation cost. If we fail to respond to these rapid changes and challenges timely and effectively, our business, financial conditions and results of operations may be materially and adversely affected.

Our performance could be adversely affected by any decrease in our sales to our key customers.

During the Track Record Period, sales to our five largest customers accounted for 20.2%, 17.8% and 16.8% of our total revenue, respectively, and sales to our largest customer, accounted for 5.0%, 4.2% and 3.6% of our total revenue, respectively. It is important for us to maintain close relationships with our major customers. During the Track Record Period, we conduct business with a number of our customers by way of one-off purchase orders. As such, we cannot assure you that our major customers will continue to purchase from us in level comparable to the historical level. In addition, as we do not have long-term purchase commitments from our customers, we prepare our procurement of raw materials and production plans according to the indications from our customers on the likely amounts of purchase. Although some of our customers provide us with purchase forecasts, such forecasts are non-legally binding and may not be accurate. In light of the foregoing, we cannot assure you that our sales estimation in any particular period of time is accurate or that our production volume would be at appropriate levels taking into consideration the purchase orders from time to time confirmed by our customers.

Moreover, our revenue is also subject to our customers’ business, sales strategy, industry conditions and the overall economic market environments. We cannot rule out the risk that our customers may cancel purchase orders placed previously with us, become insolvent or fail to take delivery of our products in accordance with the purchase orders. Generally, there is limited financial information available about our customers. As a result, our counterparty risk is largely assessed on the basis of their reputation in the market and generally available public information. We cannot assure you that our customers will continue to purchase at the same levels as they did during the Track Record Period and that they can fulfil their payment obligations under the purchase orders. During the Track Record Period, we had not experienced any material difficulties in collecting payments from our customers, but we cannot assure you that we will not encounter such difficulties in the future. Any default by our customers on their obligations under purchase orders could have an adverse effect on our business, financial position and results of operations.

We are subject to the risk collecting trade receivables.

We are subject to the risk in collecting our trade receivables due from our customers. As of 31 December 2018, 2019 and 2020, the balance of our trade receivables (net of allowance for doubtful debt) amounted to RMB140.7 million, RMB119.9 million and RMB192.0 million, respectively. The trade receivable turnover days were 125.7 days, 107.9 days and 100.3 days during the Track Record Period, respectively. Although our trade receivable turnover days decreased continuously during the Track Record Period, we cannot assure you that all such amounts due to us will be settled promptly or within the anticipated timelines as agreed with our customers. Our operating results, liquidity, and profitability could be adversely affected.

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We may not be able to secure a stable supply of raw materials with acceptable quality or on acceptable prices which would adversely affect our operations and financial condition.

Our continuing success depends on our ability to obtain adequate supply of raw materials of good quality on commercially acceptable terms and in a timely manner to support our operations and future plans. Costs of raw materials constituted the largest proportion of our cost of goods sold and amounted to RMB106.0 million, RMB144.1 million and RMB187.3 million for the Track Record Period, respectively, representing 63.5%, 66.0% and 66.9% of our cost of goods sold for the same year.

Natural mica flakes is a major raw material for the production of natural mica-based pearlescent pigment, which is one of our major products. We source natural mica flakes from India directly or through trading companies in the PRC. Cost of natural mica flakes accounted for 16.7%, 17.0% and 14.9% of our total cost of raw materials for the Track Record Period, respectively. As a non-renewable resource, natural mica reserves deplete with continual exploitation. To cope with the risk of exhaustion, many countries including India, limit the exploitation and export of natural mica. If there is an inadequate supply of natural mica from India, we would have to consider importing natural mica flakes from other overseas countries or regions, which may impose additional costs on us.

We maintain a list of qualified suppliers from which we procure our raw materials. Nevertheless, qualified suppliers may not always be readily available and they may not necessarily be able to supply as and when required. During the Track Record Period, we did not enter into any long-term agreements with our suppliers and we negotiated prices and placed purchase orders with our suppliers on a case-by-case basis. If we are unable to source the relevant raw materials, we may be required to source such raw materials at a higher price or on a delayed basis. If we are unable to find any alternative source of supply in a timely manner or at all, our business, reputation and results of operations may be adversely affected. In addition, we may not be able to monitor the quality of raw materials of the suppliers. If the quality of raw materials does not meet with our quality standards, our product quality may be affected, which could affect our reputation and potentially expose us to litigation and damage claims.

The prices and availability of our raw materials depend on a variety of factors which are beyond our control, for instance, the economy of the countries from which we procure our raw materials and their respective domestic government policies. We have no control over the cost of natural mica flakes. The cost of natural mica flakes may fluctuate significantly as a result of numerous factors, including conditions of exploitation, depletion level, general economic conditions and government policies in the relevant exporting countries. The cost of natural mica flakes experienced continuous increase during the Track Record Period, which resulted in increases in our cost of raw materials. As such, we cannot assure you that the raw material prices can remain stable at the current levels or we will not experience difficulties procuring sufficient supply of raw materials in the future. We cannot also assure you that such increase in the selling price of our natural mica-based pearlescent pigment products will occur, or if they occur, will be proportionate to the increase in the cost of natural mica flakes.

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Any supply disruptions or delays in delivery may significantly affect our production schedule and our delivery of products to customers in a timely manner. In case there is significant increase in the prices of our raw materials and we are unable to transfer such price increase to our customers, and/or to secure alternative sources of raw material supply at acceptable prices, or at all, our cost of sales may increase and our profit margins may decrease, which would materially and adversely affect our business and financial condition and results of operations.

We rely on the trading company customers in the sales of our pearlescent pigment products.

During the Track Record Period, our sales to the trading company customers amounted to RMB257.6 million, RMB346.6 million and RMB463.5 million, respectively, representing 80.9%, 78.7% and 81.4% of our sales revenue. We rely on the trading company customers in the sales of our pearlescent pigment products. During the Track Record Period, our products were sold to 212, 213 and 235 trading company customers, respectively, among which 12, 15 and 22 were Authorised Resellers. We have not entered into any long-term contract with any of the trading company customers and do not have control of any of them, nor are they exclusive in selling our pearlescent pigment products. We cannot therefore assure you that we will be able to attract sufficient number of trading companies as our customers and to leverage on their sales networks in selling and distributing our pearlescent pigment products. If the number of trading company customers decreases or the purchase orders from them are reduced significantly, this could result in loss of sales opportunities and could have a material adverse impact on our business, results of operations, financial condition and prospects.

Failure to monitor the inventory levels of the trading company customers in line with the level of demand for our products could have a material adverse effect on our business, financial conditions and results of operations.

Although we monitor the inventory level of the trading company customers, we cannot assure you that such information would be reported to us accurately and/or in a timely manner. As our ability to directly track the inventory levels of the trading company customers is limited and may not be on a real-time basis, it is difficult for us to gather sufficient information and data regarding the market acceptance of our products. As the tracking of inventory levels would provide us with useful information on the market acceptance of our products in a particular region, limitation in accurately tracking the sales and inventory levels of the trading company customers may make it difficult for us to predict sales trends, and we may not be able to implement effective marketing or product strategies. As a result, our business, financial condition and results of operations will be materially and adversely affected.

In addition, the trading company customers may be unable to sell adequate amounts of their inventories of our products in a given period to their own customers, which may result in an excessive build-up of inventory at the trading company customers. In such event, the trading company customers may reduce future orders until their inventory levels realign with demand from their own customers. The reduction in future orders from the trading company customers could have a material adverse impact on our sales to them and, accordingly, to our business, financial condition, results of operations and prospects.

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We have limited control on the Authorised Resellers, and we cannot assure you that the Authorised Resellers will operate in compliance with relevant laws and regulations or their obligations under the sales framework agreements.

Among the trading company customers in the PRC, we have entered into sales framework agreements with selected major trading companies, pursuant to which these Authorised Resellers are authorised to use our brand name. Despite our strict selection criteria for Authorised Resellers, we have limited control on the Authorised Resellers and we cannot assure you that the Authorised Resellers will operate their business in compliance with our sales framework agreements and the relevant laws and regulations. If the Authorised Resellers improperly use our brand name, it could damage our reputation and brand image, undermine customers’ confidence in us and reduce their long-term demands for our products, which in turn will cause a material adverse effect on our business, financial conditions and results of operations.

We may not be able to maintain our competitiveness in the market, and competition amongst the trading company customers could also affect our sales performance.

We operate in a competitive market. Some of our competitors may have greater production capacity, manpower and other resources, stronger financial strengths, more established customer base, more diversified product offerings, more established brands and market recognition. Therefore, such competitors may be more capable than we do to respond promptly to the changes in market conditions. Intense competition will subject us to pricing pressure which may lower our profit margins and reduce our revenue. Moreover, we face increasing competition from market entrants. There are various barriers-to-entry, including technologies and know-how, capital investments, requisite licences and certificates, and established customer relationships. Nevertheless, new market entrants or existing competitors may develop or acquire the requisite technical capabilities and customer base to compete with us. In addition, increased exposure to international markets further creates new areas which we may not be familiar with and could place us in less advantaged position than the new market players. If we cannot maintain our competitiveness in the pearlescent pigment and synthetic mica-based pearlescent pigment markets, our business, results of operations or financial condition could be materially and adversely affected.

In addition, during the Track Record Period, our sales to the trading company customers amounted to RMB257.6 million, RMB346.6 million and RMB463.5 million, respectively, representing 80.9%, 78.7% and 81.4% of our sales revenue. We rely on the trading company customers and cannot assure you that there is no undesirable competition amongst the trading company customers, which could have an adverse impact on our sales levels and more importantly, the implementation of our sales strategies and the determination of the selling prices that we could ask for on our products.

Some of our pearlescent pigment products and synthetic mica powder are sold directly to the end user customers which use those products for the manufacturing of their end products. During the Track Record Period, revenue generated from our sales to end user customers amounted to RMB60.6 million, RMB94.0 million and RMB105.6 million, respectively, accounting for 19.1%, 21.3% and 18.6%, respectively, of our total revenue. Our end user customers are always able to source their raw

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materials directly from us, and these direct sales could reduce their purchase from the trading company customers and could reduce our sales amount to the trading company customers, which might have an adverse impact on our sales and the establishment of sales network through the trading company customers.

Our production and operation are subject to extensive environmental protection laws and regulations, and compliance with these laws and regulations may be costly.

Our production and operation are subject to various environmental protection laws and regulations, in the PRC in relation to the discharge of waste water, solid wastes and gases in the course of production. The relevant PRC authorities may impose penalties, suspend operations, order for rectification or close down the production facilities that fail to comply with such laws and regulations.

During our production process, waste water, waste gas and solid waste are discharged. In order to comply with the applicable environmental protection laws and regulations in the PRC, we have installed waste treatment facilities in our production plants. Our business operations also involve the use and storage of chemicals that are potentially dangerous.

Notwithstanding such safeguarding measures, we cannot assure you that we will be in full compliance with the relevant laws and regulations at all times. If we are not in compliance with the applicable PRC environmental protection laws and regulations, we may be required to rectify such non-compliance and may also be subject to fines and remedial measures. This may materially and adversely affect our business and financial performance.

Furthermore, the PRC Government is moving towards more rigorous enforcement and may promulgate new environmental protection laws and regulations in the future. As a result, additional costs may be incurred to introduce relevant preventive or remedial measures, adjust our production process, purchase new pollution control equipment and update our compliance and monitoring system to ensure compliance with such amended laws and, regulations. In addition, our budget with respect to environmental compliance may not be sufficient to cover such costs and we may need to allocate additional funds for such purpose, which may materially and adversely affect our operation and financial performance. If we fail to introduce new preventive or remedial measures, make relevant adjustment to our production process, purchase new pollution control equipment or establish effective compliance and monitoring systems in a timely manner or at all, we may be subject to substantial penalties or fines as a result of such non-compliance and our business operations may be disrupted, thus materially and adversely affect our operation and financial performance.

We cannot assure you that we will be in compliance with all applicable environmental laws and regulations at all times. Failure to meet the applicable environmental requirements and standards could lead to serious penalties, sanctions, and liabilities as well as substantial costs in connection with remedial measures which may materially and adversely affect our financial condition and results of operations.

We have been in compliance in all material respects with applicable environmental laws and regulations in the PRC during the Track Record Period. Our expenses incurred for environmental protection during the Track Record Period was RMB2.4 million, RMB4.2 million and RMB4.1 million, respectively. The increase in the environmental protection expenses during the year ended 31

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December 2019 was mainly due to the depreciation charged to our environmental-related improvements of RMB1.2 million. See the section headed “Business — Environmental protection” in this document for further information. In the event that the PRC Government imposes more stringent environmental protection laws and regulations, our production costs may substantially increase, or we may need to incur material capital expenditures or other costs in order to remain in compliance and as such we may be unable to pass on these additional costs to our customers. Our Directors expect that the environmental compliance cost would continue to increase due to the stringent standards of environmental protection laws and regulations currently in place in the PRC. The increasing compliance costs would affect our operating result.

We may not be able to fully utilise our production capacity due to insufficient or unstable demand or interruption in the production process.

Our pearlescent pigment products are primarily produced from natural mica and synthetic mica which are either sourced from independent suppliers or produced by us as part of our production process. As such, the utilisation of the production capacity for a particular semi-finished products, i.e. natural mica powder and synthetic mica flakes, could affect the efficiency of the entire production process of our finished products of pearlescent pigment products and synthetic mica powder. During the Track Record Period, we have gradually expanded our production capacity for our production facilities comprising our Phase 1 Production Plant. As a result of such expansion, our production volume of pearlescent pigment products increased from 8,809 tonnes in 2018 to 11,348 tonnes in 2019 and further to 13,503 tonnes in 2020. We expect that our production volume would continue to increase in 2021. Despite the increase in the production volume and the scale of production, we cannot assure you that the sales volume of our pearlescent pigment products would correspondingly increase. Our production facilities operate 24 hours a day except for inspections, repairs and maintenance of our plant and machinery and the annual overhaul which usually takes place during the Chinese New Year holiday. The continuous operations of our production facilities will have to be supported by continuous increases in our sales volume, otherwise we may need to partially shut down our production facilities which could result in reduction of our utilisation rates and profitability. We cannot assure you that we can maintain high level of utilisation in the future. Our actual production volume varies with the level of demand for our pearlescent pigment products and synthetic mica powder, which in turn may be affected by customers’ preferences, the market trend, or other factors beyond our control. If the orders from our existing customers are not sufficient and there is a lack of new customers for our pearlescent pigment products and synthetic mica powder for full utilisation of our production capacity, our production facilities might operate at utilisation rates below our desired level, which could adversely affect our business and financial condition and results of operations.

In addition, our production facilities are specifically designed and adjusted for the processing of our raw materials and production of our pearlescent pigment products and synthetic mica powder. If there is any interruption in the production process due to unanticipated technical issues and that we could not resolve within a short period of time, the entire production process could be affected, which could affect our production volume and extend the production lead time. If any or all of these issues happen, our business and financial conditions and results of operations could be materially and adversely affected.

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Our historical financial and operating results during the Track Record Period may not be indicative of our future growth and performance.

During the Track Record Period, we had experienced rapid growth in our revenue and profit margin due to the expansion of our business operations. Our revenue increased by 38.5% from RMB318.2 million for the year ended 31 December 2018 to RMB440.6 million for the year ended 31 December 2019, and increased by 29.2% to RMB569.1 million for the year ended 31 December 2020. Our gross profit margin was 46.2%, 49.5% and 49.9% during the respective years.

However, we cannot assure you that our revenue will continue to grow at the same rate, or we will be able to achieve the same level of our gross profit margin comparable to those recorded during the Track Record Period. Our historical financial information is a mere analysis of our past performance and may not necessarily reflect or have any implication on our financial performance in the future. The future growth of our revenue or gross profit margin depends on a number of factors, some of which are beyond our control. For example, the changing regulatory, economic and competitive environment, the global economy, the types of products offered by us, selling prices of our pearlescent pigment products and synthetic mica powder, as well as costs of raw materials and labour and staff costs. Gross profit margin of our pearlescent pigment products and synthetic mica powder may fluctuate case by case due to factors such as our relationships with our customers, technical complexity in the manufacturing of the products, and delivery schedule required by our customers. If we fail to secure new businesses or control our cost, or fail to maintain our profit margin at a level comparable to that recorded during the Track Record Period, our financial conditions may be adversely affected.

In addition, our future business growth depends on the success of our business expansion and the general extension of pearlescent pigment products and synthetic mica powder to more downstream industries and applications. The implementation of our future business expansion plans as set forth in the section headed “Future Plans and [REDACTED]” in this document are subject to uncertainties and risks. Our business expansion plans are based on assumptions of future events which are inherently subject to uncertainties and risks. These assumptions may not be correct, which could affect the commercial viability of our business plans and strategies. If we are unable to implement our expansion plans and our business strategies successfully or effectively, our business, profitability and financial conditions in the future may be materially and adversely affected. For details of our business strategies, please refer to the paragraphs under “Business — Our strategies” in this document. As a result, our past results may not be indicative of our future performance.

Furthermore, our long-term success is also dependent on whether we can secure additional capital for our business expansion. If we fail to manage any or all of these critical factors, including the increases in costs, requirement on expertise and qualified personnel and the corresponding internal control measures, our capability to develop our business and operating scale could be undermined which could affect our future business growth.

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We may not be able to anticipate and respond to the trends in technological development and evolving industry standards in an efficient and timely manner.

We may not accurately anticipate the trends in technological development in the future, and may not utilise our capital expenditures to expand our production capacity for the products and applications with sufficient market demand. We may misjudge the market demand and expand our capacity for products and applications with small customer base or low demand. We cannot assure you that we will be successful in responding to the technological development and evolving industry standards. New technologies may render our existing products or technologies less competitive. If we are unable to anticipate the trends in technological development and develop products and applications required and well-received by our customers and the market, we may fail to compete effectively with our competitors, which could adversely affect our business, results of operations and financial condition.

We may fail to derive benefits from our research and development efforts and our investments in new production facilities, keep pace with and respond to technological changes and evolving industry standards in an efficient and timely manner.

We have our in-house research and development team, which develops new products and new applications, improves our production/processing technologies and production equipment to align with the industry demand and requirement of our customers. We have applied for various patents to protect our technologies. We currently own patents to various patented technologies for the production of pearlescent materials and synthetic mica products. For more information on our patents registered in the PRC, see the paragraphs under “B. Further information about the business of our Group — 2. Intellectual property” in Appendix V to this document.

The success of our business is dependent upon our ability to continue to develop, in a timely manner, new products and new applications, and improve our production and processing technologies through research and development to cater to our customers’ requirements and industry demand.

We are engaged in the production and sales of pearlescent pigment and synthetic mica products, which are subject to relevant industry standards and specification requirements of our customers. However, we cannot assure you that our existing or future products will always meet the evolving industry standards or our customers’ requirements, or that we will not incur significant costs in ensuring our compliance with such standards or requirements. There can be no assurance that we will continue to be successful in responding to these technological changes and evolving industry standards. New products or technologies may render our existing products or technologies less competitive. If we fail to comply with these standards or requirements, we may be required to incur additional costs to change the product compositions or to improve our production processes and upgrade our production or processing technologies in order to align with the industry standards and customer demand, any of which would adversely affect our business and results of operations. If we fail to derive desired benefits from our product research and development efforts, or respond to technological changes and evolving industry standards in an efficient and timely manner, we may not be able to continue to effectively serve our customers’ demands, and our business, financial conditions and results of operations may be materially and adversely affected.

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During the Track Record Period, our research and development expenditures amounted to RMB10.7 million, RMB23.2 million and RMB29.3 million, respectively. The development of new products and new applications of our products or the development and improvement in our production and processing technology are time consuming and costly. We cannot assure you that our research and development efforts will lead to any breakthroughs or that the results of such research and development efforts will result in commercialisation that could be accepted by our customers. If we are unsuccessful in researching and developing new products, new applications and new technology or if we are unable to commercialise our research and development efforts, our research and development expenditures will be wasted and we will be less competitive.

Moreover, our competitors may develop or improve technologies or products that gain wide market acceptance, or are superior to ours in terms of technological capabilities and quality. If we fail to respond by improving our existing products and launching new products and new applications, develop or improve production and processing technologies in a timely and effective manner, we may not be able to retain our existing customers, enhance our competitiveness or maintain our market position.

In addition, our future success will depend, to a large extent, on our ability to increase our production output and enhance our production efficiency. We have continued to upgrade our current manufacturing plant and machinery and install additional manufacturing plant and machinery to expand our production capacity and enhance our production efficiency. Nevertheless, our plant and machinery upgrade and capacity expansion are subject to the following inherent risks and uncertainties:

- the need to finance our upgrade and capacity expansion through equity or debt financing, which may not be available on commercially reasonable terms or at all;
- delay or failure to obtain relevant government approvals and permits necessary and required for our expansion;
- increase in depreciation charges; and
- cost overruns, construction delays, manufacturing problems, including delays in delivery and other operating difficulties.

Any of the above uncertainties could significantly delay or constrain our ability to execute our upgrade and capacity expansion as planned. As a result, our business, financial conditions and results of operations may be materially and adversely affected.

Our strategy to increase sales of our pearlescent pigment products and synthetic mica powder to the international markets is subject to uncertainties and risks.

During the Track Record Period, we sold a majority of our pearlescent pigment products and synthetic mica powder to customers in the PRC. We derive a portion of our revenue from international sales through the sales to the trading company customers. Our revenue derived from sales to overseas customers amounted to RMB25.0 million, RMB30.2 million and RMB29.9 million, representing 7.9%, 6.9% and 5.3% of our total revenue, respectively, during the Track Record Period. We sold our

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pearlescent pigment products and synthetic mica powder to overseas customers, a majority of which are trading companies, which in turn resell our pearlescent pigment products and synthetic mica powder to overseas end user customers. We have limited direct access to the end user customers of our pearlescent pigment products and synthetic mica powder in other countries.

As a result, we are subject to various risks and uncertainties associated with conducting business in the international markets including the following:

- compliance with foreign laws, regulatory requirements and local industry standards, with which we may not be familiar;
- competition from foreign players or failure to anticipate changes to the competitive landscape in the international markets due to lack of familiarity with the local business environment;
- difficulty in managing relationships with foreign customers;
- political and economic instabilities;
- lack of familiarity with local operating and market conditions;
- cultural and language difficulties;
- exposure to increased litigation risks in the international markets; and
- foreign exchange rate exposure and risk of foreign exchange control.

Any of the above factors could lead to business disruptions and loss of sales, which could have a material and adverse effect on our business, results of operations and growth strategies.

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.

We intend to expand our production capacity by the construction of our Phase 2 Production Plant and our Luzhai Synthetic Mica Plant for the production of pearlescent pigment products and in particular, high-end pearlescent pigment products and synthetic mica powder.

The estimated investment amount of our Phase 2 Production Plant is RMB1,337.9 million. As of the Latest Practicable Date, we have used an aggregate amount of RMB243.4 million for the construction of our Phase 2 Production Plant, among which, RMB37.4 million was used for acquisition of five land parcels with an aggregate site area of 148,713.7 sq.m. We plan to use the [REDACTED] of RMB[REDACTED] (equivalent to HK\$[REDACTED]) to partially finance the capital expenditures. The remaining balance of RMB[REDACTED] will be funded out of our internal and/or external financial resources.

The estimated investment amount of Luzhai Synthetic Mica Plant is RMB471.1 million. As of the Latest Practicable Date, we have used an aggregate amount of RMB29.4 million for the construction of Luzhai Synthetic Mica Plant, among which, RMB10.4 million was used for acquisition of a land parcel with a site area of 42,467.20 sq.m. We plan to use the [REDACTED] to partially finance the capital expenditures from the [REDACTED] of RMB[REDACTED] (equivalent to HK\$[REDACTED]). The remaining balance of RMB[REDACTED] will be funded out of our internal and/or external financial resources.

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See the sections headed “Future Plans and [REDACTED] — Construction of our Phase 2 Production Plant” and “— Construction of our Luzhai Synthetic Mica Plant” in this document for further information.

Our expansion of production capacity by the construction of our Phase 2 Production Plant and our Luzhai Synthetic Mica Plant may involve the following risks:

- Operating at a utilisation rate lower than our expectation. The actual production volume of our Phase 2 Production Plant and our Luzhai Synthetic Mica Plant may vary depending on the demand for our pearlescent pigment products, which may be affected by the market trend, customers’ preferences or other factors which are beyond our control. The demand for our products and revenue generated may not increase in line with our increase in production capacity. The demand for pearlescent pigment products might not be up to our expectation due to a reduction of orders from our existing customers or a lack of new customers, and as a result, the production facilities might operate at a utilisation rate below our expectation, which may adversely affect our profitability.
- Adversely affecting our liquidity. We expect to partially fund the construction of our Phase 2 Production Plant and our Luzhai Synthetic Mica Plant by the [REDACTED] and our internal and/or external financial resources. Our liquidity may be adversely affected if we are not able to maintain our cash flow. We cannot assure you that we will be able to complete the construction of our Phase 2 Production Plant and our Luzhai Synthetic Mica Plant within budget, on schedule or at all.

Our expansion plan may be adversely affected by factors such as lack of utilities and personnel, unexpected technical problems, natural disasters, failure to obtain required governmental permits and approvals, logistic difficulties and any unforeseen legal or regulatory impediments. If there is any delay in the progress for the construction of our Phase 2 Production Plant and our Luzhai Synthetic Mica Plant or the expansion of our production capacity might not achieve the intended economic results or commercial viability, our competitive position could be weakened, which may adversely affect our business, results of operations and financial condition.

Our plan to construct our Phase 2 Production Plant and our Luzhai Synthetic Mica Plant will increase our depreciation expense and could adversely affect our operating results and financial position.

We plan to expand our production capacity for pearlescent pigment products by constructing our Phase 2 Production Plant and our Luzhai Synthetic Mica Plant and will use part of the [REDACTED] for the purpose. See the sections headed “Future Plans and [REDACTED] — Construction of our Phase 2 Production Plant” and “— Construction of our Luzhai Synthetic Mica Plant” in this document for further information. As a result of the construction of new production facilities, based on the intended timing of deployment of the [REDACTED], our Directors expect that our depreciation expense will increase by RMB9.1 million, RMB49.9 million, RMB70.2 million, RMB88.1 million and RMB94.9 million for the five years ending 31 December 2025, respectively.

RISK FACTORS

We had accumulated loss brought forward as of 1 January 2018

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.

We cannot assure that we will not incur loss in the future primarily due to decreases in sales or that our pearlescent pigment products are no longer commercially or technically viable. Our future revenue growth and profitability will depend on a variety of factors, many of which are beyond our control. We may also further encounter unforeseen expenses, difficulties, complications, delays and other unknown events. If we fail to continue our business growth or maintain our profit margin, we could not improve our profitability and may incur operating loss in the future.

Our business and financial conditions depend on our ability to effectively manage our inventories.

Our inventory consists of raw materials, work-in-progress and finished products. Our business and financial conditions depend on our ability to manage and maintain a reasonable level of inventories. If we overstock our inventories, our required working capital would increase and additional financing costs would be incurred to monitor and warehouse our stocks. On the other hand, if we understock inventories, we may not be able to meet our customers' demand, which may in turn adversely affect our business and financial conditions. We cannot assure you that we would not experience overstocking or understocking in the future, or that any such instances would not adversely affect our business and financial conditions.

Further, the turnover rate of our inventories is susceptible to overall customers' demand and changes in consumer choice and preference, all of which are beyond our control, which exposes us to the risk of slow moving inventories. We rely on our sales forecasts to prepare our procurement plan and to manage our inventory of raw materials and finished products. Our customers may cancel or postpone the sales orders placed with us. Demand for our products may also change and our customers may not confirm the purchase order of products in such quantities pursuant to the sales forecast or initial indication provided by our customers. If we are not able to manage our inventory efficiently, we could be subject to the risk of inventory obsolescence, decline in the realisable value, and significant write-down of the value of our inventory of finished products. Any of these events could adversely affect our business and financial condition and operating results.

As of 31 December 2018, 2019 and 2020, we had inventories in the amount of RMB74.4 million, RMB80.1 million and RMB75.4 million, respectively, and we recorded average inventory turnover days of 141.4 days, 129.3 days and 101.6 days during the Track Record Period, respectively. Allowance for slow-moving inventories was made for the year ended 31 December 2018, 2019 and 2020 amounted to RMB9,000, nil and nil, respectively. We cannot assure you that our inventory turnover days will not increase in the future, and we may need to write off our slow moving inventories or sell our slow moving inventories at lower prices, any of which could adversely affect our business and financial conditions.

RISK FACTORS

We may not successfully mitigate our exposures to foreign exchange risk.

We undertake certain transactions denominated in foreign currencies instead of RMB, our functional currency. In addition to RMB, the majority of our cash and cash equivalents are denominated in U.S. dollars. The value of U.S. dollars against RMB and other foreign currencies is generally affected by, among others, changes in the worldwide economic and political conditions. There can be no assurance that the U.S. dollars will be stable. Any appreciation of RMB against U.S. dollars may, to some extent, adversely affect our financial conditions.

Currently, we do not have a foreign exchange hedging policy. Although we seek to manage our currency risks to minimise any negative effects caused by exchange rate fluctuations, there can be no assurance that we will be able to do so successfully. Our business, financial conditions and results of operations could nevertheless be adversely affected, particularly if any such exchange rate movements persist. As of 31 December 2018, 2019 and 2020, if U.S. dollars had weakened/strengthened by five per cent. against RMB with all other variables remain constant, our operating profit during the Track Record Period would have been RMB0.3 million, RMB0.5 million and RMB0.2 million lower/higher than the amount stated in the Accountants’ Report.

Increase in employee benefit expense as a result of our expansion could have an adverse effect on our business operations.

As of 31 December 2020, we employed a total of 462 employees in the PRC. During the Track Record Period, we incurred total employee benefit expense (including salaries, wages, allowance, and benefits) of RMB41.0 million, RMB48.9 million and RMB50.6 million, respectively. The increase in employee benefit expense during the Track Record Period is mainly due to salary increment to enhance our competitiveness in retaining and recruitment of talents. Our expansion will depend on a significant extent of our ability to recruit and maintain our workforce, and to continue to increase our workforce at a rate commensurate with the growth of our business. Labour and staff costs have increased significantly in the PRC in recent years, and our Directors expect that our labour and staff costs will continue to increase in the future. If labour and staff costs in the PRC continue to increase and we are unable to pass such increase in costs to our customers in a timely manner or adopt effective measures to manage our labour and staff costs, our business and financial condition and operating results could be adversely affected.

We enjoy certain preferential tax treatments and any expiration or change of these preferential tax treatments could have an adverse effect on our operating results.

Chesir Pearl has been accredited as a High and New Technology Enterprise since 14 July 2014 and enjoyed a preferential EIT rate at 15% during the Track Record Period. For details, please refer to the paragraphs under “Financial Information — Components of our consolidated statements of profit or loss — Income tax (credit)/expenses” in this document. As a result, for the Track Record Period, our effective tax rates were 7.3%, 14.3% and 14.0%, respectively. Our effective tax rates may change from year to year due to the availability or expiration of any preferential tax treatments. We cannot assure you that we will continue to qualify for such preferential tax treatment, or that the policies providing for the preferential tax treatment will continue to be effective.

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In addition, as a High and New Technology Enterprise, we enjoy certain favourable regulatory treatments, particularly government grants, which are offered by relevant government authorities. For the Track Record Period, we recognised government grants of approximately RMB4.3 million, RMB3.6 million and RMB13.2 million in our consolidated statements of profit or loss, respectively. For details, please refer to the paragraphs under “Financial Information — Components of our consolidated statements of profit or loss — Other income and gains or losses” in this document. However, it is at the sole and absolute discretion of the relevant government authorities and subject to relevant PRC laws, regulations and policies, to determine whether and when government grants would be provided to us, or at all. We cannot assure you that we will be able to receive government grants in the future.

The termination or expiration of our preferential tax treatments or the imposition of additional taxes on us may lead to an increase in our expenses, and the unavailability or reduction in the amount of government grants or other favourable treatments received by us may have a material adverse effect on our business, financial condition, results of operations and prospects.

Certain components of our other income, including government grants, are of non-recurring nature, and the loss of these components of other income could materially and adversely affect our business, financial conditions and results of operations.

We received government grants of RMB4.3 million, RMB3.6 million and RMB13.2 million for the Track Record Period, respectively. See “Financial Information — Components of our consolidated statements of profit and loss — Other income and gain or losses.” These components of our other income are of non-recurring nature and we cannot assure you that we would continue to enjoy government grants at the historical levels, or at all. If there is any change, suspension or termination of government grants, our business, financial conditions and results of operations could be materially and adversely affected.

Any material disruption to the operation of our production facilities could materially and adversely affect our business and financial condition and operating results.

We cannot assure you that there will be no disruptions to the operations of our production facilities in the future. If operations at our production facilities are materially disrupted as a result of fires, equipment failure, power outages, work stoppages, explosions, adverse weather conditions, natural disasters, labour disputes, workforce restructuring, transport and logistics issues, political turmoil or other factors, our business and financial condition and operating results could be adversely affected. The occurrence of any of these events could also require us to make significant unanticipated capital expenditures.

Our production process depends on a stable supply of electricity and water. If we encounter any shortage of supply of electricity, and water, our production activities could be interrupted which could adversely affect our business and financial condition and operating results. Any fluctuation in the charges for electricity and water in the future could affect our production cost and our profitability, which could have a significant impact on our business and financial condition and results of operations.

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Interruptions in production could increase our costs and delay our delivery of products, which may further subject us to penalties or other liabilities under the relevant sales arrangements with our customers. Production suspensions caused by such disruptions could cause a reduction in sales or delay in sales recognition. Lost sales or increased costs arising from such disruption of operations may not be recoverable under our existing insurance policies and any prolonged business disruption could also result in a loss of customers. In case of any of the above, our business and financial condition and operating results could be adversely affected.

We are subject to a variety of occupational health and safety laws and regulations.

We are subject to a variety of occupational health and safety laws and regulations imposed by the PRC Government. Compliance with existing and future health and safety laws and regulations could subject us to costs or liabilities, including monetary damages and fines, impact our production capabilities, result in suspension of our business operations, and impact our overall financial performance. Although we had not experienced any violations of health or safety laws and regulations during the Track Record Period and up to the Latest Practicable Date, we cannot assure you that such event will not happen in the future. If we are held liable for damages in the event of any injury or violation of applicable health or safety laws or regulations, we may also be subject to adverse publicity and our business, financial conditions and results of operations could be materially and adversely affected.

Our business operations are subject to risks relating to potential accidents arising from our operations and failure to comply with safety measures and procedures, and other unforeseen risks.

Our business involves the operation of equipment and machinery, which, if improperly operated, may result in physical injuries or even fatalities. We require our employees to comply with relevant safety measures and procedures relating to operations and production, as stipulated in our internal policies. There is no assurance that such safety measures are strictly followed by our employees. We cannot assure that these accidents, whether due to improper use or malfunctions of such equipment or machinery or other reasons, will not occur in the future. We cannot guarantee that material workplace accidents or fatal accidents will not occur in the future. In that case, we may be subject to government investigations and administrative penalties. Even if such accidents were not caused by our fault or negligence, such accidents may still cause us to incur substantial costs and damage to our reputation, such as negative publicity, which could adversely affect our business and financial condition and operating results. If work-related accidents resulting in employee injuries or deaths occur, we may be liable for medical and other payments to the employees and their families, in addition to fines or penalties. We cannot assure you that all such risks have been adequately covered by our existing insurance policies. If we incur substantial liabilities, which are not covered by our insurance policies, our business and financial condition and results of operations may be adversely affected.

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The production process of our pearlescent pigment and synthetic mica products involves the handling and processing of various chemicals, such as titanium tetrachloride and different kinds of chemical reactants and additives. Any accidents resulting from improper handling of these chemicals during storage, transportation and production may cause serious environmental, health and safety issues for our employees or others, cause damage to our production facilities and result in production interruptions.

Our operations are also subject to unforeseen risks, such as political unrest and natural disasters. We cannot assure you that we are insured for any of these risks or that, if insured, we will be successful in making claims under our insurance policies or that the insurance proceeds will be sufficient to compensate the actual damage suffered, or at all. Any of these events may also lead to litigation, government fines or penalties, which in turn may adversely affect our business, reputation, financial condition and results of operations.

We are subject to various regulatory and customer-imposed guidelines and may not be successful in maintaining an effective quality control system.

We are subject to a variety of laws and regulations in the jurisdictions where our pearlescent pigment products and synthetic mica powder are sold. To comply with such laws and regulations, we need to implement and maintain an effective quality control system to perform various inspections over the course of our entire manufacturing process. Although we have been in full compliance with the quality control requirements during the Track Record Period, we cannot assure you that our quality control system will continue to be effective. Any significant failure or deterioration of our quality control system in respect of, among other things, our production process and product inspection, may seriously damage our product quality. Decline in product quality will affect our reputation in the market and among our existing or prospective customers, which may lead to reduced orders or loss of customers, and will severely harm our business, financial conditions and results of operations.

We require various approvals, licenses and qualification certificates to operate our business and failure to renew any approvals, licenses or qualification certificates that are crucial to our operations could adversely affect our business.

We are required to maintain various approvals, licenses and qualification certificates in order to operate our business in accordance with the laws and regulations of the PRC. As of the Latest Practicable Date, as advised by our PRC Legal Advisers, we have obtained all relevant approvals, licenses and qualification certificates required for our operation of the business that we are currently engaged in. However, most of these approvals, licenses and qualification certificates are subject to examinations or verifications by relevant authorities and are valid only for a fixed period of time subject to renewal. Please refer to the paragraphs under “Business — Licenses, certificates and permits” in this document for details of the approvals, licenses and qualification certificates we are required to obtain to operate our business. For the issuance of these licences and permits, the relevant regulatory authorities would carry out regular inspections to ensure our compliance with applicable laws and regulations. We are also required to renew our licences and permits periodically. Failure to pass these inspections, loss of or failure to renew our licences and permits may result in temporary or permanent suspension of some or all of our production activities, and may disrupt our operations.

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During the Track Record Period, our operations have not been materially affected due to any of the above circumstances. We cannot assure you that we will be able to renew all of these approvals, licenses and qualification certificates and qualification certificates that are crucial to our operations when they expire. If we cannot obtain and maintain all approvals, licenses and qualification certificates required by us to operate our business, our business could be interrupted or the continued operation of our business may incur fines and penalties, which could adversely affect our business, results of operations and financial condition.

Our business depends on our key senior management members and key research and development personnel, and we may not be able to find suitable replacement in case of loss of service of any of them.

Our business depends to a significant extent on the continued service of our senior executives and key research and development personnel. The experience and leadership of our key management team are critical to the success of our business. Our senior management team has extensive experience and expertise in the pearlescent pigment and synthetic mica industries and has made significant contributions to the growth and success of our business. Any unexpected loss of services of one or more of these individuals could have a material adverse effect on us. Our research and development team is critical to the research and development of new products and new applications. Our research and development team also focuses on research and development of new production and processing technology and improve production equipment pursuant to our production requirements and latest market trends. The continued service of our key senior management members is significant to our future development and expansion. We do not maintain key-person insurance for key members of our senior management team. If any of our key senior management members ceases employment with us, we may have difficulty finding suitable replacements with similar industry experience. The loss of service of any of our key senior management, or failure to find suitable replacements, could adversely affect our business operations, financial condition, results of operations and prospects. The departure of any of these individuals could have an adverse effect on our business and prospects.

Our future success also depends substantially on our ability to recruit, train and retain qualified management, research and development staff, technicians, engineers and other qualified personnel. Competition for talent in the pearlescent pigment and synthetic mica industries is intense and qualified individuals can be difficult to recruit. Consequently, we may not be able to easily or quickly replace lost personnel and we may incur additional expenses to recruit, train and retain new hires. In addition, we may incur additional expenses for the recruitment and training of new personnel, which could severely disrupt our business and expansion plans. Hence, our ability to attract and retain key personnel is critical to our overall competitiveness. In order to attract and retain these personnel, we may be required to offer higher compensation and other benefits, which would increase our operating expenses and, in turn, materially and adversely affect our financial condition and results of operations. If we are unable to attract or retain the personnel required to implement our business objectives, our business could be severely disrupted.

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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.

We have proprietary intellectual property rights with respect to technologies developed for the production of pearlescent pigment and synthetic mica products. The success of our business to a certain extent is dependent upon our ability to continue to develop new products and new applications as well as developed and improved our production and processing technologies through research and development to cater to industry demand and requirement of our customers. We rely on intellectual property laws in the PRC to protect our intellectual property rights. As of the Latest Practicable Date, we had (a) 12 patents in PRC; (b) 13 trademarks in the PRC; (c) one domain name in the PRC; (d) four software copyrights in the PRC; (e) one trademark in Hong Kong; and (f) 26 patent applications for registration in the PRC under review. Further information on our registered intellectual property rights which we consider to be or may be material to our business are set forth in the paragraphs under “B. Further information about the business of our Group — 2. Intellectual property” in Appendix V to this document.

Unauthorised use of our intellectual property by third parties may adversely affect our business. Preventing such unauthorised use of intellectual property is inherently difficult. If we are unable to prevent the misappropriation or unauthorised use of our intellectual property rights, competitive advantages of our proprietary technology could be reduced or eliminated, which could adversely affect our results of operation. In addition, there can be no assurance that we will be successful in bringing enforcement actions against parties who we believe have infringed upon our intellectual property rights. In addition, intellectual property laws in China, are still evolving and may not afford the same level of protection as the intellectual property laws of other jurisdictions. If we are unable to adequately protect our intellectual property rights to prevent misuse or misappropriation by any of our competitors, our brand and our business may be materially and adversely affected. Any occurrence of misappropriation could negatively impact our reputation and brand name, cause a decline in our sales and increase our administrative costs in litigation and enforcement actions.

In addition, seeking patent protection can be costly and time-consuming. There can be no assurance that pending or future patent applications will be granted or that, if such patents are granted, they will provide meaningful protection to us. In the future, if suspected infringement arises, litigation may be necessary to enforce our intellectual property rights and to protect our intellectual property. Future litigation could result in substantial costs and diversion of resources. Moreover, there can be no assurance that our intellectual property rights will be upheld by the courts in the future.

We may be subject to intellectual property infringement claims from third parties, which may be expensive to defend and may disrupt our business and operations.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, patents, know-how or other intellectual property rights held by third parties. We may be from time to time subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be third-party trademarks, patents, copyrights, know-how or other intellectual property rights that are infringed by our pearlescent pigment products and synthetic mica powder or other aspects of our business without our awareness. Our employees may unknowingly use intellectual property owned by others in their work for us. For

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instance, our employees may have used computer software which we have not obtained the relevant user license. Holders of such intellectual property rights may seek to enforce such intellectual property rights against us in various jurisdictions. If any third-party infringement claims are brought against us, we may be forced to divert management’s time and other resources from our business and operations to defend against these claims, regardless of their merits.

Additionally, the application and interpretation of intellectual property right laws and the procedures and standards for granting trademarks, patents, know-how or other intellectual property rights are evolving and may be uncertain, and we cannot assure you that courts or regulatory authorities would agree with our analysis. If we were found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. As a result, our business, financial conditions and results of operations may be materially and adversely affected.

Our business depends on our reputation, and any negative publicity on us could have a material adverse effect on our business and financial condition and operating results.

Our business is dependent on our reputation. Negative publicity arising from, but not limited to, product defects and non-compliance with relevant laws and regulations or product quality standards are potential threats to our reputation. If we fail to promote and protect our reputation, we may not be able to maintain our sales, attract new customers, and expand into new markets. As a result, our business and financial condition and operating results could be adversely affected. Further, any negative claims against us could divert our management’s attention and resources from other business concerns, even if such negative claims are unfounded, which could adversely affect our business and financial condition and operating results.

We are subject to risks affecting the pearlescent pigment and synthetic mica industries. Negative publicity or media report on the industries could materially undermine the confidence of our customers or prospective customers in our pearlescent pigment products and synthetic mica powder. Such negative publicity could also have a negative impact on our pearlescent pigment and synthetic mica powder products and as such may affect the demand for our products which could adversely affect our business and financial condition and operating results.

We may be required to make additional contributions of social insurance fund and/or housing provident fund and late payments and fines under PRC national laws and regulations.

Under relevant PRC laws and regulations, we are required to make social insurance fund and housing provident fund contributions for our employees. During the Track Record Period, we did not make the social insurance fund and housing provident fund contributions in full for employees of Chesir Pearl and Chesir Luzhai. In this connection, we have made provisions for social insurance fund and housing provident fund contributions in the aggregate amount of RMB14.7 million as of 31 December 2020. As advised by our PRC Legal Advisers, in respect of the outstanding social insurance contributions, the relevant PRC authorities may demand us to pay the outstanding social insurance funds within a stipulated deadline and we may be liable for a late payment fee equal to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments, we may be liable for a

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fine of one to three times the amount of the outstanding contributions. In respect of the outstanding housing provident fund contributions, we may be demanded by the relevant PRC authorities to pay the underpaid amount to the housing provident fund within a prescribed time limit, failing which we may be subject to the compulsory enforcement by the People’s Court.

Our PRC Legal Advisers are of the opinion that the risk of us being fined is remote provided that we pay the unpaid amount for social insurance and housing provident funds in full amount in a timely manner after receiving notices to rectify such non-compliance from the relevant PRC authorities. As of the Latest Practicable Date, except as disclosed in “Business — Non-compliance matters,” we had not received any notification from the relevant authorities demanding payment of the outstanding contributions to the social insurance and the housing provident funds or fine in relation thereto.

However, we cannot assure you that we will not be subject to any order to rectify the non-compliance in the future, nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the outstanding amount of the social insurance and housing provident funds contributions against us, or that we will not receive any claims in respect of the outstanding amount of the social insurance and housing provident funds contributions under national laws and regulations proceed granted. In addition, we may incur additional expenses to comply with such laws and regulations promulgated by the PRC Government or relevant local authorities.

Our insurance coverage might not be adequate to cover all the risks.

We take out property insurance for our buildings, assets and actual damages arising from our production activities. These insurance policies cover the risk of damage arising from natural disasters and certain accidents, such as fire and explosion, as well as vehicle damage due to accidents. However, most of our insurance policies are subject to standard deductions, exclusions and limitations. We believe these insurance policies are generally consistent with the customary industry practices, with respect to deductibles and limits of coverage, but we cannot be fully insured against all potential hazards incidental to our business, including losses resulting from business interruptions, or all potential losses, including damage to our reputation. If we were to incur significant liabilities for which we are not fully insured, it may have an adverse effect on our results of operations. In light of the change of market conditions, premiums and deductibles for certain insurance policies may increase substantially and, in some instances, certain insurance policies may become unavailable at a reasonable cost or available only for certain risks. If for any reason we were no longer covered by our existing insurance policies, we may not be able to obtain replacement of insurance policies on acceptable terms or at all, which may have an adverse effect on our results of operations.

Our business relies on the proper operation of our information technology systems, any malfunction of which for extended periods could materially and adversely affect our business, financial conditions and results of operations.

Our business relies on the proper functioning of our information technology systems. We use our information technology systems to retrieve and analyse operational data, including procurement, sales, inventory, logistics and production, as well as financial information effectively and efficiently. We also use our information technology systems to assist us in planning and managing our production,

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budgeting, human resources, inventory, sales and financial reporting. As a result, our information technology system is critical for our daily operations. Although we did not experience any information technology system breakdown during the Track Record Period, we cannot assure you that our information technology systems will always operate without interruption.

Any malfunction to a particular part of our information technology systems may adversely affect our operations and our results of operations. There can be no assurance that there will not be any failure or breakdown of these systems in the future. Any system failure or breakdown could interrupt our normal business operations and result in a significant slowdown in operational and management efficiency. Any prolonged failure or breakdown could have a material adverse effect on our business and results of operations. In addition, we need to constantly upgrade and improve our information technology systems to keep up with the continuous growth of our operations and business. We may not always be successful in installing, running or implementing new software or advanced information technology systems as required by our business development. All of these may have a material and adverse impact on our business, financial conditions and results of operations.

We could be adversely affected as a result of our sales to customers in certain countries which are subject to evolving economic sanctions of the US, EU, Australia, and UN and other relevant sanctions authorities.

The US and other jurisdictions, including the EU and Australia, maintain broad economic sanctions targeting certain countries or territories such as Cuba, Crimea region of Ukraine, Egypt, Iran, North Korea, Russia, Serbia, Syria, Tunisia and Venezuela. In addition, the US and other jurisdictions have implemented country-based or activity-based targeted sanctions programmes that target sanctioned parties or economic sectors.

During the Track Record Period, the trading company customers included companies and entities in countries like Russia, Tunisia, Serbia, Egypt and Ukraine, but the aggregate sales to these customers in each year was less than one per cent. of our revenue. Our Directors believe that such sales were immaterial to our business, and we will cease our sales to countries or territories which are subject to international sanctions programmes following the [REDACTED].

To our knowledge, our customers are not subject to the Targeted Sanctions Programmes. However, we cannot assure you that if the scope of the sanctions were expanded or if our safeguards to prevent sales to any sanctioned person were to fail, our business and financial condition and results of operations would not be materially and adversely affected.

Our Company [has undertaken] to the Stock Exchange that members of our Group will not use the [REDACTED] to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the countries subject to international sanctions programmes. Further, our Company [has undertaken] not to enter into any transaction that would cause any member of our Group, the Stock Exchange, [REDACTED] or our Shareholders to violate or become a target of international sanctions programmes. Our Company will also make timely disclosure on the Stock Exchange’s website and on our own website if we believe that any of our business transactions would put any member of our Group or our Shareholders at risk of being sanctioned and will disclose in our annual reports or

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interim reports our efforts on monitoring our business exposure to sanctions risks and our business intentions relating to the countries subject to international sanctions programmes. If our Company were in breach of such undertakings to the Stock Exchange, our Company would be subject to the risk of possible [REDACTED] of our Shares on the Stock Exchange.

We cannot assure you that our future business will be free of sanctions risk. Our business and reputation could be adversely affected if the government of the United States, EU, Australia, or any other country material to our business were to determine that any of our activities constitute a violation of the sanctions they impose or provide a basis for designating us as a sanctioned entity. In addition, as the sanctions programmes are revised from time to time, new requirements or restrictions could come into effect which could increase the level of scrutiny on our business.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

If the pearlescent pigment market does not grow at the rate that we have expected, or at all, or if a substitute product for pearlescent pigment product is released to the market, our business, results of operations and financial condition may be adversely affected.

Our growth depends on the stable demand for our pearlescent pigment products in various downstream application. Although the demand has grown rapidly in the past, such growth rate may not remain the same or increase in the future. Any decrease in demand or any downturn in the relevant downstream sectors could materially and adversely affect our sales and profitability. Furthermore, if there is a change in market preference due to the release of a substitute product for pearlescent pigment products to the market, we may not be able to achieve the growth as expected and our business could be materially and adversely affected.

Our business is affected by changes in customer requirements and preferences, industry demands and the perceptions for pearlescent pigment products and synthetic mica powder products generally.

Customer requirements and preferences, industry demands and the perceptions for pearlescent pigment products and synthetic mica powder products are constantly changing in response to changes in market trend, technological development and customer needs. In light of diversified and changing customer requirements and preferences, our future growth depends on our ability to adapt to market trends and introduce new products and new applications in a timely manner that satisfy the requirements of our consumers. We cannot assure you that our pearlescent pigment products and synthetic mica powder products will continue to be accepted by our customers or that we will be able to anticipate or respond to changes in consumer preferences in a timely manner. Our failure to anticipate, identify or respond to these changes could adversely affect our sales performance and operating results.

Research and development of new products and applications can be expensive, and we cannot assure you that our new products and applications will be well-received and recognised by the market in respect of requirements and preferences of consumers or that it will generate acceptable profits. We may spend significant amount of resources to develop and market new products or new applications

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that may not meet our anticipated sales levels. If we are unable to effectively respond or adjust to the market trends and successfully identify and develop new products or new applications in response to the changing demand, our business and financial condition and operating results and our competitive position could be adversely and materially affected.

RISK RELATING TO COVID-19

Since early 2020, there have been reported cases of COVID-19 in the PRC and around the world. The World Health Organization has declared that the outbreak of COVID-19 is a global pandemic, which had more than 113.4 million confirmed cases and 2.5 million casualties worldwide as of 28 February 2021. The COVID-19 pandemic has also resulted in international economic recession, closure of businesses, country and city lockdowns and significant reductions in international trade, travelling and business activities.

In response to the COVID-19 pandemic, the PRC Government has initiated various measures, which include quarantining of individuals, requiring residents to stay at home and avoid public gathering. The pandemic has also resulted in the closure of offices, retail stores, schools, and manufacturing facilities across China, during which restrictions on movement were imposed throughout the country.

Due to the production delay caused by the extension of the 2020 Chinese New Year holiday and quarantines of our employees because of the COVID-19 pandemic, our operation has been affected slightly and our production volume was slightly lower than our planned production volume during the first quarter of 2020. Our sales revenue and sales volume decreased slightly in the first quarter of 2020, primarily due to the interruption of production and, to a lesser extent, the impact on our sales to the trading companies and manufacturers.

During the Track Record Period, we sourced natural mica flakes from India directly or through trading companies in the PRC. On 25 March 2020, the government of India announced a national lockdown in response to the COVID-19 pandemic. As of the Latest Practicable Date, our procurement of natural mica from India has not been impacted. However, if the government of India imposes measures to restrict the export of natural mica or if there exists any adverse change in the natural mica trading environment, our raw material supply of natural mica could be adversely affected, which will adversely impact our business and operation.

In case of severe outbreak, in order to contain the spread of COVID-19 pandemic, the PRC Government may require us to suspend our production activities, close down our production facilities temporarily and impose travel restrictions among cities and provinces, which may affect the supply and delivery of raw materials to our production plans and delivery of our products to our customers both domestically and overseas. Our business operations could also be disrupted if any of our employees is suspected of contracting COVID-19 requiring quarantines and our production plant may also be shut down for disinfection.

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As of the Latest Practicable Date, there remained substantial uncertainties as to how the COVID-19 pandemic would develop and we could not yet fully ascertain the expected impact on our operations or our financial position, and also the impact which may have on our customers or suppliers. If our production plant is forced to halt production activities or the supply of raw materials for our production is disrupted, we may not be able to deliver products in a timely manner to our customers, which may adversely affect our business reputation, financial performance and results of operations.

Other countries may also impose travel restrictions, which may impact our overseas sales efforts. Any local restrictions in the PRC could also affect our sales activities domestically. Further, the PRC and global economies may also be adversely affected, which may lead to reduced demand for our products, cancellation of purchase orders placed previously or request for delay in payments. Any material adverse change in demand for our products or financial health of our PRC and overseas customers would affect our business, financial condition, results of operations and profitability. Further, as we intend to apply a certain portion of our [REDACTED] to enhance our production capacity, any material adverse change in demand for our products may also affect our expansion plan and the intended use of the [REDACTED].

RISKS RELATING TO DOING BUSINESS IN THE PRC

The legal system in the PRC embodies uncertainties which could limit the legal protections available to us.

The legal system in the PRC is a civil law system based on written legislation. Unlike common law systems, it is a system in which decided legal cases have little precedential value. The legal system in the PRC evolves rapidly, and the interpretations of many laws, regulations and rules may contain inconsistencies. These uncertainties could limit the legal protections available to us. In addition, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or their pre-emption of local regulations by national laws. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations. Furthermore, any litigation in the PRC may be protracted and result in substantial costs and diversion of management resources.

Political and economic policies of the PRC could affect our business.

Before its adoption of the economic reforms and open policy in late 1970s, the PRC had been primarily a planned economy. With the commencement of the PRC Government’s effort to reform the Chinese economy in 1978, the PRC Government introduced changes to its economic system, as well as the government structure. These reforms have led to significant economic growth and progress in social development. Although the PRC Government still owns a significant portion of the productive assets in China, economic reform policies have placed much emphasis on creating autonomous enterprises and the utilisation of market mechanisms. Factors that may cause the PRC Government to modify, delay or even discontinue the implementation of certain reform measures include political changes and political instability and such economic factors as changes in rates of national and regional economic growth, unemployment and inflation.

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Our Directors anticipate that the PRC Government will continue to further implement these reforms, further reduce government interference on enterprises, and rely more on free market mechanisms for the allocation of resources, bring positive effect on our overall and long-term development. Any changes in the political climate, economic and social situation, the laws, regulations and policies of the PRC arising therefrom, may have an adverse effect on the present or future operations of our Group. With our business and operations based in the PRC, our operation and financial results could be adversely affected by the restrictive or austere policies introduced by the PRC Government. We may not be able to capitalise on economic reform measures adopted by the PRC Government. We cannot assure you that the PRC Government will not impose economic and regulatory controls that may adversely affect our business, financial positions and results of operations.

Government control on currency conversion and changes in the exchange rate between RMB and other currencies could negatively affect our financial condition, operations and our ability to pay dividends.

RMB is currently not a freely convertible currency and our Group needs to convert RMB into foreign currency for payment of dividends, if any, to Shareholders. Our PRC subsidiaries are subject to the PRC rules and regulations on currency conversion. In the PRC, SAFE regulates the conversion of RMB into foreign currencies. Foreign investment entities are required to apply to relevant bank for direct investment-related foreign exchange registration.

Under relevant PRC foreign exchange laws and regulations, payment of current account items, including profit distributions and interest payments are permitted to be made in foreign currencies without prior government approval but are subject to certain procedural requirements. Strict foreign exchange control continues to apply to capital account transactions, which must be approved by and/or registered with SAFE, its local branches or relevant banks. We cannot assure you that the PRC regulatory authorities will not impose further restrictions on foreign exchange transactions for current-account items, including payment of dividends.

Furthermore, in 2005, the PRC revalued the exchange rate of the RMB to the US dollars and abolished the RMB to peg solely to the US dollars as applied in the past. Instead, it is pegged against a basket of currencies which can rise or drop by as much as 0.3% each day. We cannot assure you that in the future PRC will not revalue RMB or permit its substantial appreciation. Any increase in the value of RMB may adversely affect the growth of the PRC economy and competitiveness of various industries in the PRC, including the industries in which our Group operates, which could in turn affect the financial condition and results of operations of our Group.

Currently, some of our revenue, expenses and bank loans are denominated in RMB, however we cannot guarantee that our financial portfolio will be free from any foreign currencies denominated securities or investments in the future.

The global financial crisis in 2008 has adversely affected the United States and other world economies. Although there are signs of recovery in the global and Chinese economy, there can be no assurance that any such recovery is sustainable. The ongoing uncertainties in the global investment environment may cause fluctuations in exchange rates which may in turn adversely affect the value

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of our net assets, earnings or any declared dividends. Also, any unfavourable movement in the exchange rate or the value of US dollars may lead to an unfavourable exposure to foreign exchange losses, which could in turn materially and adversely affect our financial conditions and results of operations.

Distribution and transfer of funds may be subject to restrictions under the PRC law.

Our Company is a holding company incorporated in the Cayman Islands and does not have any business operations other than investments in the subsidiaries. Our Company relies entirely on the dividend payments from our subsidiaries. Under the PRC laws, dividends from our subsidiary in the PRC may only be paid out of distributable after-tax profits, less any recovery of accumulated losses and allocations to statutory funds which are not available for distribution as cash dividends. Any distributable profits that are not distributed in a given year will be retained and made available for distribution in subsequent years. The calculation of distributable profits under the PRC accounting principles is different in many respects from Hong Kong accounting principles. Distributions by our subsidiaries in the PRC to our Company may be subject to bank procedures and taxation. These requirements and restrictions may affect our ability to pay dividends to our Shareholders. Any transfer of funds from our Company to our subsidiaries in the PRC, either as a shareholder loan or as an increase in registered capital, is subject to registration and/or approval granted by the PRC SAFE its local branch or relevant banks. These limitations on the free flow of funds between our Company to subsidiaries in the PRC could restrict our ability to act in response to changing market conditions in a timely manner. Furthermore, members of our Group may obtain credit facilities in banks in the future which restrict them from paying dividends to their Shareholders, which may have an adverse impact on their ability to pay dividends to their Shareholders.

It may be difficult to effect service of process, enforce foreign judgments and arbitral awards or bring original actions in the PRC against us or our Directors and senior management.

Our Company is incorporated under the laws of the Cayman Islands, but a substantial portion of our operations and assets and all of our executive Directors and senior management are located in the PRC. It may be difficult or impossible for investors to effect service of process on us or those persons in the PRC. Moreover, the PRC does not have treaties with most of the other jurisdictions that provide for the reciprocal recognition and enforcement of judicial rulings and awards. As a result, recognition and enforcement in the PRC of the judgment of a non-PRC court in relation to any matter not subject to a binding arbitration provision may be difficult or impossible. Final judgments for civil and commercial cases and arbitral awards obtained in a recognised Hong Kong court or Hong Kong arbitral tribunal may be enforced in the PRC, provided that certain conditions are satisfied. However, there are uncertainties as to the outcome of any applications to recognise and enforce such judgments and arbitral awards in the PRC.

Furthermore, an original action may be brought in the PRC against us or our Directors and senior management only if the actions are not required to be arbitrated by PRC law and upon satisfaction of the conditions for commencing a cause of action pursuant to the PRC civil procedure law. As a result of the conditions set forth in the PRC civil procedure law and the discretion of the PRC courts to determine whether the conditions are satisfied and whether to accept the action for adjudication, it is uncertain whether investors will be able to bring an original action in the PRC in this manner.

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PRC tax law may affect tax liabilities on dividends received by our Company and Shareholders and increase our enterprise income tax rate.

Our Company is incorporated under the laws of the Cayman Islands and holds interests in our PRC subsidiaries through a number of subsidiaries incorporated in the BVI and Hong Kong. The EIT Law has become effective as of 1 January 2008. If our subsidiary is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends paid to our subsidiary, unless our subsidiary is entitled to reduction or elimination of such tax, including by tax treaties. Under an arrangement between the PRC and Hong Kong, such dividend withholding tax rate is reduced to five per cent. if a Hong Kong tax resident enterprise owns over 25% of the equity interests of the PRC company distributing the dividends. Pursuant to the Announcement on Promulgating the Administrative Measures for Convention Treatment for Non-resident Taxpayers (《關於發佈非居民納稅人享受協定待遇管理辦法的公告》), which came into effect on 1 January 2020, any non-resident taxpayer meeting conditions for enjoying the convention treatment may be entitled to the convention treatment itself/himself when filing a tax return or making a withholding declaration through a withholding agent, subject to the collection and preservation of relevant materials for review pursuant to the measures and the subsequent administration by the tax authorities.

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] market for our Shares, and an active [REDACTED] market may not develop.

Prior to the [REDACTED], no [REDACTED] market for our Shares existed. Following completion of the [REDACTED], the Stock Exchange will be the only market on which our Shares will be publicly traded. We cannot assure our investors that an active trading market for our Shares will be developed or be sustained after the [REDACTED]. In addition, we cannot assure our investors that our Shares will be traded in the [REDACTED] market subsequent to the [REDACTED] at or above the [REDACTED]. The [REDACTED] for our Shares is expected to be fixed on [REDACTED] by an agreement to be entered into between the [REDACTED] (on behalf of the other [REDACTED]) and us, and may not be indicative of the [REDACTED] price of our Shares following the completion of the [REDACTED]. If an active trading market for our Shares does not develop or is not sustained after the [REDACTED], the [REDACTED] price and liquidity of our Shares could be materially and adversely affected.

The [REDACTED] may fluctuate.

The [REDACTED] may be highly volatile, which may be subject to a number of factors, including but not limited to:

- variations in our revenue, earnings and cash flow;
- announcements made by us or our competitors;
- environmental accidents suffered by us;
- loss of key personnel;
- developments in the pearlescent pigment industry;
- immediate dilution in the unaudited [REDACTED] adjusted consolidated net tangible asset value;

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- changes in ratings by financial analysts and credit rating agencies;
- involvement in litigation;
- fluctuations in stock [REDACTED];
- fluctuations in the market prices for the products sold; or
- future disposal or perceived disposal of a substantial number of Shares of our existing Shareholders in the [REDACTED] market.

We cannot assure you that our major Shareholders would not dispose of their shareholdings. Any significant disposal of our Shares by any of the major Shareholders could materially affect the prevailing [REDACTED]. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise further capital. We cannot predict the effect of any significant future disposal on the [REDACTED].

We may need to raise additional funds due to changes in business conditions, or to finance our future plans, whether in relation to our existing operations or any future acquisitions. If additional funds are raised by way of issuing Shares or equity-linked securities other than on a pro-rata basis to existing Shareholders our existing Shareholders’ shareholding may be reduced, the earnings per Share and the net tangible asset value per Shares would diminish and/or such newly issued securities may have rights, preferences and privileges superior to our Shares of our existing Shareholders.

We cannot assure you that we will pay dividends in the future.

We cannot assure you that our Group will declare dividends. The declaration and payment of dividends during the Track Record Period should not be considered as a guarantee or indication that we will declare and pay dividends in such manner in the future, or will declare and pay any dividends in the future at all. Whether dividends will be distributed and the amount of dividends to be paid will depend upon, among other things, our profitability, financial condition, business development requirements, future prospects and cash requirements of our Group. See the section headed “Financial Information — Dividends” in this document. We cannot assure investors when or whether we will pay dividends in the future.

The interest of our Controlling Shareholders may not always coincide with the interest of our Group and those of our other Shareholders.

Our Controlling Shareholders have significant influence over the operations and business strategies of our Group, and may have the ability to require our Group to effect corporate actions according to their own desires by virtue of their shareholding in our Group. The interests of our Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of our Controlling Shareholders conflict with the interests of other Shareholders, or if any of our Controlling Shareholders chooses to cause our business to pursue strategic objectives that conflict with the interests of other Shareholders, our Group or those other Shareholders’ interest may be adversely affected as a result.

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Shareholders’ interests may be diluted as a result of additional equity fund-raising.

We may need to raise additional funds in the future to finance further expansion of our business. If additional funds are raised through the issuance of new equity or equity-linked securities of us other than on a pro rata basis to existing Shareholders, the percentage of ownership of such Shareholders in our Company may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by our Shares.

For the purpose of further expansions or new developments in our existing operations, our Group may need to raise additional funds in the future by way of issue of new equity or equity-linked securities of our Company to finance further expansion of our business, joint ventures or other strategic partnerships and alliances. Such fund-raising exercises may not be conducted on a pro-rata basis to existing Shareholders. As such the shareholding of the then-Shareholders may be reduced or diluted, and such new securities may confer rights and privileges that take priority over those conferred by our Shares.

Future sales of substantial amounts of our Shares in the [REDACTED] may adversely affect the prevailing [REDACTED].

Except for [REDACTED], our Company has agreed with the [REDACTED] (for itself and on behalf of the other [REDACTED]) not to issue any of our Shares or securities convertible into or exchangeable for our Shares during the period beginning from the date of this document and continuing through the date which is six months from the date on which dealings in our Shares commence on the Stock Exchange, except with the prior written consent of the [REDACTED] (for itself and on behalf of the other [REDACTED]). Further, our Shares held by our Controlling Shareholders are subject to certain lock-up undertakings for periods commencing on the date of this document and up to twelve months from the [REDACTED]. After these restrictions lapse, the [REDACTED] may decline as a result of sales of substantial amounts of our Shares or other securities relating to our Shares in the [REDACTED] market, the issuance of new Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur. This may also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate.

Investors should not place undue reliance on facts, statistics and data contained in this document with respect to the economies and our industry.

Certain facts, statistics and data in this document are derived from various sources including various official government sources that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Whilst our Directors have taken reasonable care in extracting and reproducing the information, they have not been prepared or independently verified by us and the Relevant Persons. Therefore, none of them makes any representation as to the accuracy or completeness of such facts, statistics and data. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics in this document may be inaccurate or may not be comparable to statistics produced for other publications or purposes and you should not place undue reliance on them.

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Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

You should read the entire document and we strongly caution you not to place any reliance on any information contained in press articles or media regarding us or the [REDACTED].

There may be press and media coverage regarding us or the [REDACTED], which may include certain events, financial information, financial projections and other information about us that do not appear in this document. We have not authorised the disclosure of any other information not contained in this document. We do not accept any responsibility for any such press or media coverage and we make no representation as to the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this document is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for them. Accordingly, we strongly caution prospective investors to not rely on any such information. In making your decision as to whether to subscribe for and/or purchase our Shares, you should rely only on the financial, operational and other information included in this document.