

**JIANGSU KEMAO NEW MATERIALS TECHNOLOGY  
CO., LIMITED**

**(Registered in People's Republic of China)  
(Company reg no: 91320281772480518D)**

**FINANCIAL STATEMENTS  
31 DECEMBER 2018**

**JIANGSU KEMAO NEW MATERIALS TECHNOLOGY CO., LIMITED**  
*(Registered in People's Republic of China)*

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**SPECIAL AUDIT REPORT  
TO THE MEMBERS OF  
JIANGSU KEMAO NEW MATERIALS TECHNOLOGY CO., LIMITED**  
*(Registered in People's Republic of China)*

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of JIANGSU KEMAO NEW MATERIALS TECHNOLOGY CO., LIMITED, which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 39.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence and Other Ethical Responsibilities**

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**Responsibilities of the Management for the Financial Statements**

The Management of the Company is responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with IFRSs. The Management is also responsible for such internal control as the Management determines is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



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## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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**Other Matters**

This report is made solely to the members of the Company as a body and for no other purpose. We do not assume responsibility to any other person for the content of this report.

The engagement partner on the audit resulting in this independent auditors' report is Ho Mee Ling.



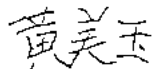
HML & CO.  
AF: 1325  
Chartered Accountants

Malaysia  
15 March 2019

JIANGSU KEMAO NEW MATERIALS TECHNOLOGY CO., LIMITED  
(Registered in People's Republic of China)

STATEMENT BY LEGAL REPRESENTATIVE

I, Huang Mei Yu, the Legal Representative of JIANGSU KEMAO NEW MATERIALS TECHNOLOGY CO., LIMITED, duly appointed under the laws of the People's Republic of China, state that, in my opinion, the financial statements set out on pages 5 to 39 are drawn up in accordance with International Financial Reporting Standards ("IFRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and of its financial performance and cash flows for the year then ended.



HUANG MEI YU

Legal Representative

JIANGSU KEMAO NEW MATERIALS TECHNOLOGY CO., LIMITED

People's Republic of China  
15 March 2019

**JIANGSU KEMAO NEW MATERIALS TECHNOLOGY CO., LIMITED**  
*(Registered in People's Republic of China)*

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	Note	2018 RMB	2017 RMB
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	57,585,790	62,914,871
Deferred tax assets	7	1,655,958	1,395,973
Lease prepayment	8	13,444,733	16,133,680
		<u>72,686,481</u>	<u>80,444,524</u>
<b>CURRENT ASSETS</b>			
Inventories	9	120,631,361	77,090,685
Trade receivables	10	76,561,350	72,241,305
Other receivables and advance payments	11	45,423,338	51,465,644
Tax recoverable		1,942,847	-
VAT recoverable		2,680,363	-
Fixed deposits with bank		960,000	960,000
Cash and bank balances	12	24,450,721	10,442,111
		<u>272,649,980</u>	<u>212,199,745</u>
<b>TOTAL ASSETS</b>		<u><u>345,336,461</u></u>	<u><u>292,644,269</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	13	50,000,000	50,000,000
Retained earning/(Accumulated losses)		3,458,773	(19,949,226)
<b>TOTAL EQUITY</b>		<u>53,458,773</u>	<u>30,050,774</u>
<b>NON-CURRENT LIABILITIES</b>			
Amount owing to ultimate holding company	14	24,476,103	-
Borrowings - Secured	15	5,000,000	5,000,000
Other payable	16	5,347,396	-
		<u>34,823,499</u>	<u>5,000,000</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	17	54,238,659	45,836,662
Other payables, deposit received and accruals	16	59,815,530	62,293,414
Borrowings - Secured	15	143,000,000	146,000,000
Tax payable		-	3,463,419
		<u>257,054,189</u>	<u>257,593,495</u>
<b>TOTAL LIABILITIES</b>		<u>291,877,688</u>	<u>262,593,495</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>345,336,461</u></u>	<u><u>292,644,269</u></u>

The accompanying notes form an integral part of the financial statements.

**JIANGSU KEMAO NEW MATERIALS TECHNOLOGY CO., LIMITED**  
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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Note</b>	<b>2018 RMB</b>	<b>2017 RMB</b>
Revenue	18	676,083,581	574,525,944
Cost of sales		<u>(639,422,604)</u>	<u>(545,552,562)</u>
Gross profit		36,660,977	28,973,382
Other operating income		36,453,017	16,952,532
Administration expenses		(34,136,618)	(11,513,612)
Operating expense		<u>(6,714,901)</u>	<u>(7,707,554)</u>
Profit from operations	19	32,262,475	26,704,748
Finance costs	20	<u>(8,875,429)</u>	<u>(9,438,931)</u>
Profit before tax		23,387,046	17,265,817
Income tax expense	21	<u>20,953</u>	<u>(1,174,640)</u>
Profit and total comprehensive income for the year		<u><u>23,407,999</u></u>	<u><u>16,091,177</u></u>

The accompanying notes form an integral part of the financial statements.



**JIANGSU KEMAO NEW MATERIALS TECHNOLOGY CO., LIMITED**  
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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share capital RMB	(Accumulated losses)/ Retained earning RMB	Total RMB
As at 1 January 2017	50,000,000	(36,040,403)	13,959,597
Profit and total comprehensive income for the year	<u>-</u>	<u>16,091,177</u>	<u>16,091,177</u>
As at 31 December 2017	50,000,000	(19,949,226)	30,050,774
Profit and total comprehensive income for the year	<u>-</u>	<u>23,407,999</u>	<u>23,407,999</u>
As at 31 December 2018	<u>50,000,000</u>	<u>3,458,773</u>	<u>53,458,773</u>

The accompanying notes form an integral part of the financial statements.

**JIANGSU KEMAO NEW MATERIALS TECHNOLOGY CO., LIMITED**  
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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>2018</b> <b>RMB</b>	<b>2017</b> <b>RMB</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	23,387,046	17,265,817
Adjustments for:		
Allowance for impairment losses	1,039,939	1,567,703
Depreciation of property, plant and equipment	12,187,404	12,528,422
Effect of fair value on financial liabilities	(12,005,501)	-
Interest expense	8,875,429	9,438,931
Interest income	(178,971)	(132,064)
Lease rental	2,688,947	-
Loss on disposal of property, plant and equipment	460,396	1,181,763
Operating profit before working capital changes	36,454,689	41,850,572
(Increase)/Decrease in working capital:		
Inventories	(43,540,676)	(16,246,308)
Trade receivables	(5,396,448)	(55,828,018)
Other receivables and advance payments	6,078,770	(5,290,161)
VAT recoverable	(2,680,363)	1,363,320
Trade and bills payables	8,401,997	9,098,215
Other payables, deposit received and accruals	(2,477,884)	26,740,590
Cash (used in)/from operations	(3,159,915)	1,688,210
Interest paid	(8,875,429)	(9,438,931)
Interest received	178,971	132,064
Tax paid	(5,645,297)	-
Net cash used in operating activities	(17,501,670)	(7,618,657)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(7,489,660)	(9,128,458)
Sales proceeds from disposal of property, plant and equipment	170,940	830,927
Changes in bank balances for restricted used	(6,514,000)	6,648,000
Net cash used in investing activities	(13,832,720)	(1,649,531)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	116,000,000	122,000,000
Repayment of borrowings	(119,000,000)	(117,000,000)
Advance from ultimate holding company	34,329,000	-
Advance from other payable	7,500,000	-
Net cash from financing activities	38,829,000	5,000,000

The accompanying notes form an integral part of the financial statements.

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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>2018</b>	<b>2017</b>
	<b>RMB</b>	<b>RMB</b>
Net increase/(decrease) in cash and cash equivalents	7,494,610	(4,268,188)
Cash and cash equivalents at beginning of the year	<u>3,050,111</u>	<u>7,318,299</u>
Cash and cash equivalents at end of the year	<u><u>10,544,721</u></u>	<u><u>3,050,111</u></u>
<b>Cash and cash equivalents comprise:</b>		
Fixed deposits	960,000	960,000
Cash and bank balances	<u>24,450,721</u>	<u>10,442,111</u>
	25,410,721	11,402,111
Less: Bank balances restricted for use (Note 12)	<u>(14,866,000)</u>	<u>(8,352,000)</u>
	<u><u>10,544,721</u></u>	<u><u>3,050,111</u></u>

The accompanying notes form an integral part of the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**1 GENERAL INFORMATION**

The Company is a limited liability company incorporated and domiciled in People's Republic of China.

The principal place of business is located at 5 Road, Songwengtou Yunting Town, Jiangyin City, China. The Company is principally engaged in sales and manufacture of metals products.

The immediate and ultimate holding companies are Jiang Yin Fuke New Materials Co., Limited, a company registered in People's Republic of China and Kemao Industries Limited, a company registered in Australia respectively.

The financial statements of the Company are presented in Chinese Yuan or the Renminbi ("RMB"), the currency of the primary economic environment in which the entity operates (i.e., its functional currency).

**2 COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB").

**2.1 ADOPTION OF NEW AND AMENDED STANDARDS**

For the current year ended 31 December 2018, the Company has adopted all the following amendments to IFRSs that are effective for annual periods beginning on or after 1 January 2018:

- Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions
- IFRS 15, Revenue from Contracts with Customers
- Classifications to IFRS 15, Revenue from Contracts with Customers
- IFRS 9, Financial instruments
- IFRIC 22, Foreign Currency Transactions and Advance Consideration
- Amendments to IFRS 4, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IAS 40, Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle: Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle: Amendments to IAS 28, Investments in Associates and Joint Ventures

The initial application of above-mentioned IFRSs does not have any material financial impacts to the current year and prior period financial statements of the Company.

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**2.2 STANDARDS ISSUED BUT ARE NOT YET EFFECTIVE**

The Company has not early adopted the following new IFRSs, IFRICs and amendments to IFRSs that have been issued by the IASB but are not yet effective for the Company.

IFRSs, IFRICs and amendments to IFRSs effective for annual periods beginning on or after 1 January 2019

- IFRS 16, Leases
- IFRIC 23, Uncertainty Over Income Tax Treatments
- Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to IFRS 9, Prepayment Features with Negative Compensation
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Amendments to IAS 19, Plan Amendment, Curtailment or Settlement

IFRSs, IFRICs and amendments to IFRSs effective for annual periods beginning on or after 1 January 2020

- Amendments to IFRS 3, Definition of a Business
- Amendments to IAS 1 and IAS 8, Definition of Material

IFRSs, IFRICs and amendments to IFRSs effective for annual periods beginning on or after 1 January 2021

- IFRS 17, Insurance Contract

IFRSs, IFRICs and amendments to IFRSs effective for annual periods beginning on or after a date yet to be confirmed.

- Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associates or Joint Venture

The Company will adopt the above IFRSs in the respective financial years when they become effective. The Management expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

**3 BASIS OF PREPARATION**

The financial statements of the Company have been prepared on the historical cost basis other than as disclosed in Note 4.

The Management of the Company has used judgments, estimates and assumptions in recognising and measuring the reported amounts of assets and liabilities (including disclosures of contingent assets and contingent liabilities) at the end of the reporting period and the reported amounts of revenues and expenses during the reported period. As judgments and assumptions are applied in the measurement, the actual results may not coincide with the reported amounts. The areas involving significant judgments and estimation uncertainties are disclosed in Note 5.

## **4 SIGNIFICANT ACCOUNTING POLICIES**

### **4.1 PROPERTY, PLANT AND EQUIPMENT**

#### Recognition and measurement

Other items of property, plant and equipment are measured at costs less any accumulated depreciation and any accumulated impairment losses.

Costs include expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The costs of self-constructed assets also include the costs of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” or “other expenses” respectively in profit or loss.

#### Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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The estimated useful lives, as follows:

	Estimated useful lives	Estimated residual value as a percentage of cost
Electronic equipment	3 - 5 years	5%
Furniture and fittings	5 - 10 years	5%
Machinery and equipment	3 - 10 years	5%
Motor vehicles	5 years	5%
Renovation	3 years	0%

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted where appropriate.

#### **4.2 LEASED ASSETS**

##### Finance lease

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

##### Operating lease: The Company as a lessee

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statements of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

#### **4.3 IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL**

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss, unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, to the extent the increased carrying amount does not exceed the carrying amount that would have been determined had no impairments loss been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **4.4 INVENTORIES**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and overheads, where applicable, that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

#### **4.5 SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND DISTRIBUTIONS**

The Company classifies and presents an issued financial instrument (or its component parts), on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

##### **(a) Share Capital**

Ordinary shares and non-redeemable preference shares issued that carry no mandatory contractual obligation: (i) to deliver cash or another financial asset; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company, are classified as equity instruments.



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When ordinary shares and other equity instruments are issued in a public offering or in a rights issue to existing shareholders, they are recorded at the issue price.

When ordinary shares and other equity instruments are issued as consideration transferred in a business combination or as settlement of an existing financial liability, they are measured at fair value at the date of the exchange transaction.

Transaction costs of an equity transaction are accounted for as a deduction from equity.

**(b) Compound Financial Instruments**

The Company evaluates the terms of an issued financial instrument to determine whether it contains both a liability and an equity component. The proceeds of a convertible bond or other compound instruments are allocated to the liability component measured at fair value, using the discounted cash flow method, and balance to the equity component. Transaction costs are allocated pro rata based on the relative carrying amounts. Any tax effect arising from temporary differences of the liability component is charged or credited to the equity component.

**(c) Distributions**

The Company establishes a distribution policy whereby cash dividends can only be paid out of retained profits.

Distributions to holders of an equity instrument are debited directly in equity, net of any related income tax benefit.

A dividend declared is recognised as a liability only after it has been appropriately authorised, which is the date when the Management declares an interim dividend, or in the case of a proposed final dividend, the date the shareholders of the Company approve the proposed final dividend in an annual general meeting of shareholders.

**4.6 FINANCIAL INSTRUMENTS**

**(a) FINANCIAL ASSETS**

**Initial Recognition and Measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in 4.10 Revenue and other income.

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In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

**Subsequent measurement of financial assets**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade, other receivables, advances to related parties and cash and cash equivalents.

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Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

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A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

**Derecognition of Financial Instruments**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**Impairment Of Financial Assets**

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### **(b) FINANCIAL LIABILITIES**

#### **Initial Recognition and Measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, trade, other payables, advance from ultimate holding company, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include loans and borrowings, trade, other payables, and advance from ultimate holding company.

#### **Subsequent measurement of financial liabilities**

The measurement of financial liabilities depends on their classification, as described below:

##### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

*Loans and borrowings*

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 25(b).

**Derecognition of Financial Instruments**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**(c) OFFSETTING OF FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**4.7 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Company in the management of its short term commitments.

**4.8 BORROWINGS COSTS**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

### **4.9 PROVISIONS**

Provisions are recognised when the Company has a present obligation (legal or constructive) where as a result of a past event, and it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### **4.10 REVENUE AND OTHER INCOME**

#### Goods sold

Revenue is measured based on the considerations specified in a contract with a customer in exchange for transferring goods to customer, excluding amounts collected on behalf of third parties. The Company recognises revenue when or as it transfers control over a product to customer. An asset is transferred when or as the customer obtains control of the asset.

The Company transfers control of goods at a point in time unless one of the following overtime criteria is met:

- a) The customer simultaneously receives and consumes the benefits provided as the Company's performs;
- b) The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- c) The Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

#### Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

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**4.11 EMPLOYMENT BENEFITS**

Salaries, wages, bonuses and paid annual leave are accrued in the year in which the associated services are rendered by employees to the Company.

The employees of the Company are required to participate in a central pension scheme operated by the government. The Company are required to contribute a certain percentage of its payroll costs to the central pension scheme.

These contributions are charged to the statements of comprehensive income in the period to which the contributions relate. The Company's obligations under these plans are limited to the fixed percentage contributions payable.

**4.12 VALUE ADDED TAX (VAT)**

Revenues, expenses and assets are recognised net of the amount VAT, except where the amount of VAT incurred is not recoverable from the Tax Office. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown as inclusive of VAT.

The net amount of VAT recoverable from, or payable to, the tax office is included as part of receivables or payables in the statement of financial position.

**4.13 INCOME TAX**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Company's liability for current tax is calculated using tax rates that have been enacted at the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates that have been enacted or substantively enacted by the balance sheet. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.



#### **4.14 CONTINGENCIES**

(i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Contingent assets

Where it is not possible that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

#### **4.15 FAIR VALUE MEASUREMENTS**

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

#### **4.16 FOREIGN CURRENCY TRANSACTIONS**

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

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Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

### **4.17 RELATED PARTIES**

A related party is defined as follows:

- a) A person or a close member of that person's family is related to the Company if that person:
  - (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Company.
- b) An entity is related to the Company if any of the following conditions applies:
  - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to others).
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint control venture of a member of a group of which the other entity is a member).
  - (iii) both entities are joint ventures of the same third party.
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) the entity is a past-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

## **5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

Significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have significant effect in determining the amount recognised in the financial statements include the following:

### **5.1 LOSS ALLOWANCES OF FINANCIAL ASSETS**

The Company recognises impairment losses for receivables using the incurred loss model. At the end of each reporting period, the Company assesses whether there is any objective evidence that loans and receivables is impaired. Individually significant loans and receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. The actual eventual losses may be different from the allowance made and this may affect the Company's financial position and results.

### **5.2 DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT**

The cost of an item of property, plant and equipment is depreciated on the straight-line method over its useful life. Estimates are applied in the selection of the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and this may lead to a change in recorded depreciation and value of property, plant and equipment.

### **5.3 INVENTORIES**

Inventories are stated at the lower of cost and net realisable value (NRV). NRV for finished goods and work-in-progress are assessed with reference to existing prices at the reporting date less the estimated direct cost necessary to make the sale, which represent the Company's best estimation of the value recoverable through sale.

### **5.4 MEASUREMENT OF INCOME TAXES**

Significant judgment is required in determining the Company's provision for current and deferred taxes. When the final outcome of the taxes payable is determined with the tax authorities, the amount might be different from the initial estimates of the taxes payable. Such differences may impact the current and deferred taxes in the period when such determination is made. The Company will adjust for the differences as over or under provision of current or deferred taxes in the current period in which those differences arise.

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**6 PROPERTY, PLANT AND EQUIPMENT**

**2018**

	<b>As at 1 January 2018 RMB</b>	<b>Additions RMB</b>	<b>Disposal RMB</b>	<b>As at 31 December 2018 RMB</b>
<b><u>Cost</u></b>				
Electronic equipment	2,988,465	1,064,523	-	4,052,988
Furniture and fittings	219,850	59,967	-	279,817
Machinery and equipment	145,555,422	5,286,208	-	150,841,630
Motor vehicles	1,229,923	548,590	(736,253)	1,042,260
Renovation	-	530,372	-	530,372
	<u>149,993,660</u>	<u>7,489,660</u>	<u>(736,253)</u>	<u>156,747,067</u>

	<b>As at 1 January 2018 RMB</b>	<b>Charges for the year RMB</b>	<b>Disposal RMB</b>	<b>As at 31 December 2018 RMB</b>
<b><u>Accumulated Depreciation</u></b>				
Electronic equipment	1,200,371	807,023	-	2,007,394
Furniture and fittings	157,679	10,959	-	168,638
Machinery and equipment	85,472,048	11,106,910	-	96,578,958
Motor vehicles	248,691	172,520	(104,916)	316,295
Renovation	-	89,992	-	89,992
	<u>87,078,789</u>	<u>12,187,404</u>	<u>(104,916)</u>	<u>99,161,277</u>

	<b>2018 RMB</b>	<b>2017 RMB</b>
<b><u>Carrying Amounts</u></b>		
Electronic equipment	2,045,594	1,788,094
Furniture and fittings	111,179	62,171
Machinery and equipment	54,262,672	60,083,374
Motor vehicles	725,965	981,232
Renovation	440,380	-
	<u>57,585,790</u>	<u>62,914,871</u>

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**2017**

	<b>As at 1 January 2017 RMB</b>	<b>Additions RMB</b>	<b>Disposals/ Reclassification RMB</b>	<b>As at 31 December 2017 RMB</b>
<b><u>Cost</u></b>				
Electronic equipment	1,228,705	1,759,760	-	2,988,465
Furniture and fittings	342,671	54,786	(177,607)	219,850
Machinery and equipment	132,891,804	5,647,960	7,015,658	145,555,422
Machinery and equipment in progress	6,838,051	-	(6,838,051)	-
Motor vehicles	2,545,782	1,665,952	(2,981,811)	1,229,923
	<u>143,847,013</u>	<u>9,128,458</u>	<u>(2,981,811)</u>	<u>149,993,660</u>

	<b>As at 1 January 2017 RMB</b>	<b>Charges for the year RMB</b>	<b>Disposals/ Reclassification RMB</b>	<b>As at 31 December 2017 RMB</b>
<b><u>Accumulated Depreciation</u></b>				
Electronic equipment	685,829	514,542	-	1,200,371
Furniture and fittings	154,085	3,594	-	157,679
Machinery and equipment	73,759,749	11,712,299	-	85,472,048
Machinery and equipment in progress	-	-	-	-
Motor vehicles	919,825	297,987	(969,121)	248,691
	<u>75,519,488</u>	<u>12,528,422</u>	<u>(969,121)</u>	<u>87,078,789</u>

	<b>2017 RMB</b>	<b>2016 RMB</b>
<b><u>Carrying Amounts</u></b>		
Electronic equipment	1,788,094	542,876
Furniture and fittings	62,171	188,586
Machinery and equipment	60,083,374	59,132,055
Machinery and equipment in progress	6,838,051	-
Motor vehicles	981,232	1,625,957
	<u>62,914,871</u>	<u>68,327,525</u>

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At 31 December 2018, certain machinery and equipment with carrying amount of RMB19,906,659 (2017: RMB16,803,418) were charged as securities for borrowings granted to the Company as disclosed in Note 15.

At 31 December 2018, machinery and equipment with carrying amount of RMB4,831,030 (2017: RMB6,085,744) were charged as securities for borrowings granted to a company controlled by a son of the controlling shareholder.

The gross carrying amounts of fully depreciated property, plant and equipment of the Company are as follows:

	<b>2018</b>	<b>2017</b>
	<b>RMB</b>	<b>RMB</b>
Electronic equipment	778,810	593,996
Furniture and fittings	165,064	165,064
Machinery and equipment	42,620,890	-
Motor vehicle	119,800	119,800
	<u>43,684,564</u>	<u>878,860</u>

**7 DEFERRED TAX ASSETS**

	<b>2018</b>	<b>2017</b>
	<b>RMB</b>	<b>RMB</b>
Balance at beginning of the year	1,395,973	1,004,047
Recognised in statement of comprehensive income (Note 21)	259,985	391,926
Balance at end of the year	<u>1,655,958</u>	<u>1,395,973</u>

The above deferred tax assets are attributable to collective allowance for impairment losses on trade receivables, other receivables and advance payments.

**8 LEASE PREPAYMENT**

Lease prepayments represent land and building use rights paid to a company controlled by a son of the controlling shareholder. Land and building use rights are carried at cost less any accumulated amortisation and any accumulated impairment losses. The cost of lease prepayment is charged to expense on a straight-line basis over the period of the rights.

**9 INVENTORIES**

	<b>2018</b>	<b>2017</b>
	<b>RMB</b>	<b>RMB</b>
Raw material	53,475,161	25,286,483
Work in progress	19,513,011	19,849,437
Finished goods	47,643,189	31,954,765
	<u>120,631,361</u>	<u>77,090,685</u>
Inventories recognised as cost of sales in profit and loss	<u>639,422,604</u>	<u>545,552,562</u>

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**10 TRADE RECEIVABLES**

	<b>2018 RMB</b>	<b>2017 RMB</b>
Trade receivables	79,778,850	74,382,402
Less: Allowance for impairment	<u>(3,217,500)</u>	<u>(2,141,097)</u>
	<u>76,561,350</u>	<u>72,241,305</u>
Allowance for impairment loss:		
Balance at beginning of the year	2,141,097	1,099,737
Impairment loss recognised in profit or loss	<u>1,076,403</u>	<u>1,041,360</u>
Balance at end of the year	<u>3,217,500</u>	<u>2,141,097</u>
The currencies in which the trade receivables are demoninated:		
In RMB	60,134,385	52,757,585
In US Dollar	<u>16,426,965</u>	<u>19,483,720</u>
Balance at end of the year	<u>76,561,350</u>	<u>72,241,305</u>

**11 OTHER RECEIVABLES AND ADVANCE PAYMENTS**

	<b>2018 RMB</b>	<b>2017 RMB</b>
Other receivables	2,183,385	4,042,478
Less: Allowance for impairment loss	<u>(332,280)</u>	<u>(136,433)</u>
	<u>1,851,105</u>	<u>3,906,045</u>
Advance payments	<u>46,646,284</u>	<u>50,865,961</u>
Less: Allowance for impairment loss	<u>(3,074,051)</u>	<u>(3,306,362)</u>
	<u>43,572,233</u>	<u>47,559,599</u>
	<u>45,423,338</u>	<u>51,465,644</u>
Other receivables		
Allowance for impairment loss:		
Balance at beginning of the year	136,433	47,925
Additions of impairment loss in profit or loss	<u>195,847</u>	<u>88,508</u>
Balance at end of the year	<u>332,280</u>	<u>136,433</u>
Advance payments		
Allowance for impairment loss:		
Balance at beginning of the year	3,306,362	2,868,527
(Reversal)/Additions of impairment loss in profit or loss	<u>(232,311)</u>	<u>437,835</u>
Balance at end of the year	<u>3,074,051</u>	<u>3,306,362</u>

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Included in other receivables are amounts of RMB126,212 (2017: RMB2,181,557) owing from the controlling shareholder, a company controlled by a son of the controlling shareholder and close members of the family of the controlling shareholder of the ultimate holding company respectively. These amounts are unsecured, interest free and repayable on demand.

Included in advance payments are amounts of RMB22,957,378 owing from the related party. These amounts are unsecured, interest free and repayable on demand.

**12 CASH AND BANK BALANCES**

Included in the bank balances is RMB14,866,000 (2017: RMB8,352,000) pledged for bills payables as disclosed in Note 17.

**13 SHARE CAPITAL**

The registered, issued and fully paid share capital of Jiangsu Kemao New Materials Technology Co., Limited is RMB50,000,000.

**14 AMOUNT OWING TO ULTIMATE HOLDING COMPANY**

Amount owing to ultimate holding company is unsecured, interest free and repayable within 5 years.

**15 BORROWINGS - SECURED**

	<b>2018 RMB</b>	<b>2017 RMB</b>
Repayable within one year	143,000,000	146,000,000
Repayable more than one year	<u>5,000,000</u>	<u>5,000,000</u>
	<u>148,000,000</u>	<u>151,000,000</u>

The term loans are denominated in RMB. Interest charged in the current year range from 4.80% to 6.90% (2017: 5.40% to 6.90%) per annum.

As at 31 December 2018, term loans are secured by:

- i) machinery and equipment as disclosed in Note 6;
- ii) guarantee by Legal Representative and the controlling shareholder of ultimate holding company;
- iii) guarantee by a company controlled by a son of the controlling shareholder of ultimate holding company; and
- iv) guarantee by third parties.



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**Reconciliation of liabilities arising from financing activities:**

	<b>2018 RMB</b>	<b>2017 RMB</b>
Balance at beginning of the year	151,000,000	146,000,000
Financing cash flow*	<u>(3,000,000)</u>	<u>5,000,000</u>
Balance at end of the year	<u>148,000,000</u>	<u>151,000,000</u>

\*The cash flows from short term borrowings make up the net amount of proceeds from and repayment of borrowing in the statement of cash flows.

**16 OTHER PAYABLES, DEPOSIT RECEIVED AND ACCRUALS**

	<b>Note</b>	<b>2018 RMB</b>	<b>2017 RMB</b>
<b>Non-current</b>			
Amount owing to related party	(a)	5,347,396	-
<b>Current</b>			
Other payables	(b)	9,666,000	24,676,294
Deposit received		45,905,110	31,619,448
Accruals		<u>4,244,420</u>	<u>5,997,672</u>
		<u>59,815,530</u>	<u>62,293,414</u>

(a) Amount owing to related party represent advance from controlling shareholder of ultimate holding company which is unsecured, interest free and repayable within 5 years.

(b) Included in other payables are amounts of RMB6,016,000 (2017: RMBNil) owing to the controlling shareholder of the ultimate holding company. These amounts are unsecured, interest free and repayable on demand.

**17 TRADE AND BILLS PAYABLES**

	<b>2018 RMB</b>	<b>2017 RMB</b>
Trade payables	39,372,659	37,484,662
Bills payables	<u>14,866,000</u>	<u>8,352,000</u>
	<u>54,238,659</u>	<u>45,836,662</u>

Bills payables are secured by bank balances as disclosed in note 12.

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**18 REVENUE**

	<b>2018 RMB</b>	<b>2017 RMB</b>
Sales revenue		
- Sales of goods	<u>676,083,581</u>	<u>574,525,944</u>

**19 PROFIT FROM OPERATIONS**

Profit from operations is derived after charging/(crediting):

	<b>2018 RMB</b>	<b>2017 RMB</b>
Allowance for impairment losses	1,039,939	1,567,703
Depreciation of property, plant and equipment	12,187,404	12,528,422
Employee benefits (including key management personnel)		
- Wages, salaries and others	15,625,156	17,374,245
Lease rental	2,688,947	-
Loss on foreign exchange	-	1,006,118
Loss on disposal of property, plant and equipment	460,396	1,181,763
Research and development cost (Note 27)	<u>18,234,768</u>	<u>-</u>
Gain on foreign exchange	(924,103)	-
Interest income	<u>(178,971)</u>	<u>(132,064)</u>

**20 FINANCE COSTS**

	<b>2018 RMB</b>	<b>2017 RMB</b>
Loan interest	<u>8,875,429</u>	<u>9,438,931</u>

**21 INCOME TAX EXPENSE**

	<b>2018 RMB</b>	<b>2017 RMB</b>
Current income tax	100,956	3,463,419
Under/(over) provision in prior year	138,076	(1,896,853)
Deferred taxation (Note 7)	<u>(259,985)</u>	<u>(391,926)</u>
	<u>(20,953)</u>	<u>1,174,640</u>

Current income tax represents People's Republic of China ("PRC") enterprise income tax ("EIT"). The provision for PRC EIT is calculated based on the PRC statutory income tax rate of 25% (2017: 25%) of the assessable income of the Company.

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Numerical reconciliation of income tax expense:

	<b>2018 RMB</b>	<b>2017 RMB</b>
Profit before taxation	<u>23,387,046</u>	<u>17,265,817</u>
Tax calculated at the tax rate of 25%	5,846,762	4,316,454
Tax effect of:		
- Income not subject to tax	(3,001,376)	-
- Expenses not deductible for tax purpose	1,496,058	273,789
Tax incentive	(4,500,473)	-
Utilisation of previously unrecognised tax losses	-	(1,518,750)
Under/(Over) provision in prior year	<u>138,076</u>	<u>(1,896,853)</u>
(Tax credit)/Tax charge	<u>(20,953)</u>	<u>1,174,640</u>

**22 RELATED PARTY DISCLOSURE**

**22.1 COMPENSATION OF KEY MANAGEMENT PERSONNEL**

	<b>2018 RMB</b>	<b>2017 RMB</b>
Short term benefits	<u>2,095,532</u>	<u>1,821,081</u>

Key management personnel comprise Legal Representatives of the Company and other senior management personnel in the Company, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

**22.2 RELATED PARTY TRANSACTIONS**

In addition to the related party information disclosed in Notes 11 and 16 the financial statements, the following significant transactions between the Company and related parties took place at term agreed between the parties during the financial year:

	<b>2018 RMB</b>	<b>2017 RMB</b>
Advances/(Repayment of advances from) to a company controlled by a son of the controlling shareholder of the ultimate holding company	1,143,611	(3,743,304)
Advances/(Repayment of advances from) the controlling shareholder of the ultimate holding company	12,762,266	(4,995,733)
(Repayment)/Advances to close members of the family of the controlling shareholder of the ultimate holding company	(158,000)	158,000
Advances from ultimate holding company	34,329,000	-
Purchases from related party	<u>87,643,870</u>	<u>-</u>

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As at the end of the year, the Company has following outstanding balances with the related parties:

	<b>2018</b>	<b>2017</b>
	<b>RMB</b>	<b>RMB</b>
Amount owing from related parties	23,083,590	1,427,823
Amount owing to ultimate holding company	24,476,103	-
Amount owing to/(from) controlling shareholder of the ultimate holding company	<u>11,363,396</u>	<u>(753,734)</u>

**23 FINANCIAL INSTRUMENTS**

The table below provides an analysis of financial instruments categorised as follows:

- a) Amortised cost ("AC"); and
- b) Fair value through other comprehensive income ("FVOCI")

	<b>Carrying Amount RMB</b>	<b>AC RMB</b>	<b>FVOCI RMB</b>
<b>2018</b>			
<b>Financial Assets</b>			
Trade receivables	76,561,350	76,561,350	-
Other receivables	1,851,105	1,851,105	-
Fixed deposits with bank	960,000	960,000	-
Cash and bank balances	<u>24,450,721</u>	<u>24,450,721</u>	<u>-</u>
	<u>103,823,176</u>	<u>103,823,176</u>	<u>-</u>
<b>Financial Liabilities</b>			
Trade and bills payables	(54,238,659)	(54,238,659)	-
Amount owing to ultimate holding company	(34,329,000)	(24,476,103)	(9,852,897)
Other payables, deposits received and accruals	(67,315,530)	(65,162,926)	(2,152,604)
Borrowings	<u>(148,000,000)</u>	<u>(148,000,000)</u>	<u>-</u>
	<u>(303,883,189)</u>	<u>(291,877,688)</u>	<u>(12,005,501)</u>
<b>2017</b>			
<b>Financial Assets</b>			
Trade receivables	72,241,305	72,241,305	-
Other receivables	3,906,045	3,906,045	-
Fixed deposits with bank	960,000	960,000	-
Cash and bank balances	<u>10,442,111</u>	<u>10,442,111</u>	<u>-</u>
	<u>87,549,461</u>	<u>87,549,461</u>	<u>-</u>
<b>Financial Liabilities</b>			
Trade and bills payables	(45,836,662)	(45,836,662)	-
Other payables, deposits received and accruals	(62,293,414)	(62,293,414)	-
Borrowings	<u>(151,000,000)</u>	<u>(151,000,000)</u>	<u>-</u>
	<u>(259,130,076)</u>	<u>(259,130,076)</u>	<u>-</u>

## **24 FAIR VALUE OF FINANCIAL INSTRUMENT**

The carrying amounts of receivables and payables, cash and cash equivalents and short term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

## **25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The financial risk management is integral to the development of the Company's business. The Company has in place the financial risk management policies to manage its exposure to a variety of risks to an acceptable level. The Company's principal financial risk management policies are as follows:

### **a) Credit risk**

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its receivables from customers and deposits with financial institutions.

The Company has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the statement of financial position at the end of the financial year represent the Company's maximum exposure to credit risk.

The Company determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profiles of the Company's trade receivables at the end of financial year are as follows:

	<b>2018</b>	<b>2017</b>
	<b>RMB</b>	<b>RMB</b>
Local	60,134,385	52,757,585
Overseas	16,426,965	19,483,720
	<u>76,561,350</u>	<u>72,241,305</u>

In additions, 69% (2017: 66%) of the Company's advance payments was made to three (2017: three) supplier.

The Company maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	<b>2018</b>	<b>2017</b>
	<b>RMB</b>	<b>RMB</b>
Not past due	37,829,620	49,488,409
Past due 30 – 60 days	3,147,409	13,222,100
Past due 61 – 120 days	14,239,552	9,892,406
Past due more than 120 days	24,562,269	1,779,487
	<u>79,778,850</u>	<u>74,382,402</u>
Collective impairment	(3,217,500)	(2,141,097)
	<u>76,561,350</u>	<u>72,241,305</u>

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Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Company.

**b) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables and short term borrowings.

The Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Company monitors its cash flows and ensures that sufficient funding is in place to meet the obligations as and when they fall due.

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments (including interest):

	<b>Carrying amount RMB</b>	<b>Contractual cash flows RMB</b>	<b>On demand or within a year RMB</b>
<b>2018</b>			
<i>Financial liabilities</i>			
Trade and bills payables	54,238,659	54,238,659	54,238,659
Amount owing to ultimate holding company	24,476,103	24,476,103	24,476,103
Other payables, deposit received and accruals	65,162,926	65,162,926	65,162,926
Borrowings	148,000,000	148,000,000	148,000,000
	<u>291,877,688</u>	<u>291,877,688</u>	<u>291,877,688</u>
<b>2017</b>			
<i>Financial liabilities</i>			
Trade and bills payables	45,836,662	45,836,662	45,836,662
Other payables, deposit received and accruals	62,293,414	62,293,414	62,293,414
Borrowings	151,000,000	160,438,931	160,438,931
	<u>259,130,076</u>	<u>268,569,007</u>	<u>268,569,007</u>

**c) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Company's financial position or cash flows.

**(i) Currency risk**

The Company is exposed to foreign currency risk on sales that are denominated in a currency other than the functional currency of the company. The currencies giving rise to this risk is primarily US Dollar ("USD").

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Exposure to foreign currency risk

The Company's exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting year was:

	<b>2018 RMB</b>	<b>2017 RMB</b>
Trade receivables	16,426,965	19,483,720
Cash and bank balances	2,215,534	742,718
	<u>18,642,499</u>	<u>20,226,438</u>

Currency risk sensitivity analysis

A 7% (2017: 7%) strengthening of RMB against the USD at the end of the reporting year would have decreased profit before tax by RMB1,304,975 (2017: RMB1,415,851). A 7% (2017: 7%) weakening of RMB against the USD at the end of the reporting period would have had equal but opposite effect.

ii) Interest rate risk

The Company's fixed rate deposits placed with financial institutions and borrowings are exposed to a risk of change in their fair value due to changes in market interest rates. The Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in market interest rates.

The Company manages the interest rate risk of its deposits with financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank.

The Company manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market.

The interest rate profile of the Company's interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	<b>2018 RMB</b>	<b>2017 RMB</b>
<u>Fixed rate instruments</u>		
Fixed deposits with bank	960,000	960,000
Borrowings	<u>148,000,000</u>	<u>151,000,000</u>

**Interest rate risk sensitivity analysis**

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

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**26 CAPITAL MANAGEMENT**

The Company's objectives of managing capital are to safeguard the Company's ability to continue in operations as a going concern and to provide fair returns for shareholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitor capital using gearing ratio. The Company's policy is to maintain a prudent level at gearing ratio.

The gearing ratios as at the end of the years are as follows:

	<b>2018</b>	<b>2017</b>
	<b>RMB</b>	<b>RMB</b>
Total borrowings	148,000,000	151,000,000
Less: Fixed deposits with bank	(960,000)	(960,000)
Less: Cash and bank balances	(24,450,721)	(10,442,111)
Net debt	122,589,279	139,597,889
Total equity	53,458,773	30,050,774
Gearing ratio	229.32%	464.54%

**27 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

- (a) During the year, the Company has invested in 6 research and development projects to improve on the production efficiency and product quality for 24 months ending on 31 December 2019. The total budgeted cost for the projects is RMB41,900,000.
- (b) Between 27 March 2018 and 7 June 2018, the Company has entered into 9 debts to equity conversion agreements with its trade creditors, the total amount of debt subject to conversion is RMB4,484,000. The shares in Kemao Industries Limited, the Company's ultimate holding company, which were to be issued to these trade creditors were issued to them on 31 July 2018 from shares which were issued in consideration for the assignment of the shareholders' loan referred to in note 27(c) below. As at 31 December 2018, these debts remain as creditors of the Company and will be waived if and when the ultimate holding company is listed on National Stock Exchange.
- (c) On 30 July 2018, the ultimate holding company has entered into debts to equity conversion agreement with its major shareholder, the total amount of debt subject to conversion is RMB34,329,000. This assignment of debt was completed on 31 July 2018 when shares in Kemao Industries Limited, the Company's ultimate holding company, were to be issued as consideration of this assignment, including shares which were issued to the trade creditors referred to in note 27(b) above.



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- (d) On 20 June 2018, all the shareholders of the Company transferred his or her entire interests in the Company to Jiang Yin Fuke New Materials Co., Ltd., a wholly foreign invested enterprise which is 100% owned by Global Newmat Sdn. Bhd. (**GNSB**). On 31 August 2018, Kemao Industries Limited acquired GNSB. Consequently, Jiang Yin Fuke New Materials Co., Ltd, GNSB and Kemao Industries Limited become the immediate, intermediate and ultimate holding company of the Company respectively.
- (e) On 18 October 2018, the Company has entered into 2 long term debts conversion agreements with controlling shareholder of the ultimate holding company and ultimate holding company, the total amount of conversion is RMB7,500,000 and RMB34,329,000 respectively.

**28 SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE**

There are no significant events after the balance sheet date.

**29 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

There are no contingent liabilities and capital commitments as at the date of this financial statements.

**30 AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS**

The financial statements of the Company were authorised for issue by the Legal Representative on 15 March 2019.

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**DETAILED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>2018 RMB</b>	<b>2017 RMB</b>
<b>REVENUE</b>	<u>676,083,581</u>	<u>574,525,944</u>
<b>LESS: COST OF SALES</b>		
Opening inventories	31,954,765	11,498,571
Cost of manufacturing	655,111,028	566,008,756
Closing inventories	<u>(47,643,189)</u>	<u>(31,954,765)</u>
	<u>639,422,604</u>	<u>545,552,562</u>
<b>GROSS PROFIT</b>	36,660,977	28,973,382
<b>ADD: OTHER OPERATING INCOME</b>		
Effect of fair value on financial liabilities	12,005,501	-
Gain on foreign exchange	924,103	-
Interest income	178,971	132,064
Other income	267,193	846,362
Scrap sales	<u>23,077,249</u>	<u>15,974,106</u>
	<u>36,453,017</u>	<u>16,952,532</u>
<b>LESS: OPERATING EXPENSES</b>	<u>(49,726,948)</u>	<u>(28,660,097)</u>
<b>PROFIT BEFORE TAX</b>	<u><u>23,387,046</u></u>	<u><u>17,265,817</u></u>

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**MANUFACTURING ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>2018</b>	<b>2017</b>
	<b>RMB</b>	<b>RMB</b>
<b>RAW MATERIALS</b>		
Opening inventories	25,286,483	20,955,514
Purchase	558,928,988	456,418,505
Custom duties	1,247,123	1,251,182
Freight charges	6,885,828	6,440,968
Value added taxes	-	882,661
Other raw materials	39,336,001	30,800,341
Closing inventories	<u>(53,475,161)</u>	<u>(25,286,483)</u>
	<u>578,209,262</u>	<u>491,462,688</u>
<b>WORK-IN-PROGRESS</b>		
Opening inventories	19,849,437	28,390,292
Closing inventories	<u>(19,513,011)</u>	<u>(19,849,437)</u>
	<u>336,426</u>	<u>8,540,855</u>
<b>FACTORY OVERHEADS</b>		
Depreciation of property, plant and equipment	9,107,973	12,175,733
Electricity charges	30,476,640	29,050,748
Gas	18,162,173	7,397,838
Other expenses	1,261,838	633,689
Processing fee	517,847	507,601
Repair and maintenance	1,219,254	320,109
Salaries and wages	13,225,156	14,470,000
Transportation	154,086	335,300
Water	<u>2,440,373</u>	<u>1,114,195</u>
	<u>76,565,340</u>	<u>66,005,213</u>
<b>COST OF MANUFACTURING</b>	<u><u>655,111,028</u></u>	<u><u>566,008,756</u></u>

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**OPERATING EXPENSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>2018</b>	<b>2017</b>
	<b>RMB</b>	<b>RMB</b>
<b>ADMINISTRATION EXPENSES</b>		
Accommodation	88,708	24,510
Allowance for impairment losses	1,039,939	1,567,703
Consultancy fees	2,038,835	-
Depreciation of property, plant and equipment	3,079,431	352,689
Entertainment	1,211,289	827,383
General expense	1,042,503	2,021,523
Lease rental	2,688,947	-
Loss on disposal of property, plant and equipment	460,396	1,181,763
Loss on foreign exchange	-	1,006,118
Office expenses	227,030	449,222
Processing fees	615,906	410,934
Quit rent and assessment	582,562	529,443
Research and development cost	18,234,768	-
Social security charges	407,496	558,338
Telephone fee	3,403	55,691
Travel expenses	593,538	739,898
Training fees	3,640	-
Upkeep of motor vehicles	269,404	321,570
Salaries and wages	1,200,000	1,450,000
Welfare	348,823	16,827
	<u>34,136,618</u>	<u>11,513,612</u>
<b>OPERATING EXPENSE</b>		
Exhibition fee	116,936	90,000
General expenses	472,874	172,467
Operating expenses	464,262	1,435,344
Transportation	4,460,829	4,555,498
Salaries and wages	1,200,000	1,454,245
	<u>6,714,901</u>	<u>7,707,554</u>
<b>FINANCE COSTS</b>		
Loan interest	<u>8,875,429</u>	<u>9,438,931</u>
	<u>8,875,429</u>	<u>9,438,931</u>
	<u>49,726,948</u>	<u>28,660,097</u>

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