**KEMAO INDUSTRITIES LIMITED**

ACN 625 928 216 | NSX Code: KEM

# 2021 ANNUAL REPORT

## CORPORATE DIRECTORY

**Directors**

| | |
|---|---|
| Long Huy Lam | Non-executive Chairman |
| Dong Chen | Managing Director |
| Fang Chen | Executive Director |
| Jianping Zhou | Non-executive Director |
| Xuekun Li | Non-executive Director |

**Company Secretary**
Xuekun Li

**Registered Office in Australia**
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217 Hay St
Subiaco WA6008
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Email: info@kmgroup.cn

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Tel: +86 510 6882 6922
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**Auditor**
MGI Perth Audit Services Pty Ltd
322 Hay St
Subiaco WA 6008

**Share Registry**
Advanced Share Registry
110 Stirling Highway
Nedlands WA6009
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**Public Listing**
National Stock Exchange of Australia – Code: KEM

**Bankers**
Australia and New Zealand Banking Group Limited

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## CHAIRMAN'S STATEMENT

Dear Fellow Shareholders,

Welcome to our annual report.

Year 2021 has been a challenging year for Kemao and its subsidiaries ("the Group"), a period where the Group continued to respond and adapt to the challenges resulting from COVID-19. Throughout the year, the health and safety of the people remained our highest priority and I am pleased to inform that there has been no infection within the Group's workforce.

While countries and governments have adopted various policies and measures, the infection case of the pandemic has continued to surge, making the global economy recover at a slow pace. We also witnessed raw material costs and shipping fee reached an all time high amid the pandemic uncertainties in the year.

Despite the disruptions and challenges, the Group achieved revenue of AUD179 million in 2021, up 22.6% on the previous year. Though overseas sales remained subdued, domestic sales were strong, growing by 26.5% to AUD154 million. As one of the largest tin-plate manufactures, Kemao is a well recognised brand in China. Following a great number of small industry participants closing down during the pandemic, the Group is well positioned to capitalise the opportunities in an increasingly highly concentrated market.

The Group managed to pay back RMB13 million borrowings during the year, not only improve the gearing ratio but to save ongoing interest expenses. The Group regularly reviews all aspects of its capital structure and will continue to closely monitor its financing and operating leverage.

The net loss for the year ended 31 December 2021 was AUD7 million, down AUD3 million from last year. Though the result was negative, the Group is optimistic of a turnaround in the near future by considering currently a more stable and normalised business environment, increased customer demand and the recovery of overseas market.

In the forthcoming year, the Group will continue to develop its competitive advantage by:

- scale;
- cost saving;
- technical research and innovation of new products and production lines.

I would like to thank and acknowledge the efforts of the management and the staff who have been committed to the past challenging year.

On behalf of the Board, I would like to thank our shareholders for their patience and continued support for Kemao.

Long Huy Lam
Non-Executive Chairman

## REVIEW OF ACTIVITIES

Kemao Industries Limited ("the Company" or "KEM"), together with its controlled entities ("the Group"), is a professional metal packaging solution provider. The Group specialises in the production and supply of tinplate and cold-rolled steel coils to the global market.

Tinplate has increasingly become a popular packing material around the world. It has the best sealing property and opaqueness compared to other packing materials. It is also a "clean material", generating low pollution and having high recovery rate. Almost all infant formulas around the world are stored in tinplate cans. 25 billion tinplate cans are consumed in Japan every year, and the use rates of tinplate cans in Germany and France are both higher than 80%.

Cold-rolled steel coils as a semi-finished material are widely supplied to other steel further processing industries such as construction, automotive, household electronic appliances, furniture, machinery hardware, and so on.

Kemao New Materials Technology Co., Ltd ("Kemao China"), a wholly-owned subsidiary of the Company, is the production base and business centre of the Group. Located in the heart of the Yangtze River Golden Delta Economic Circle, Kemao China has grown from a family business to one of the largest and most prestigious metal packaging solution providers in China within 15 years.

### Key Business Highlights and Achievements during 2021:

- **Challenges from COVID-19 Pandemic**

The challenges arisen from COVID-19 continued throughout 2021. Following the massive social and economic disruption around the world last year, global economy recovered at a slow pace. Business environment in China has become stable thanks to its strict virus containment regulations. Sales momentum in China was strong during the year and the Group achieved domestic revenue AUD154 million, up 26.5% on the previous year. While overseas sales remained subdued, total revenue increased from AUD146 million to AUD179 million. In an increasingly highly concentrated industry, the Group focused on developing its competitive advantage by scale, cost savings and innovation of products and technology. This approach has provided opportunities to boost revenue and productivity.

Prices of raw materials and shipping fee reached all time high amid the pandemic uncertainties in 2021. The rising rates and prices brought a significant impact on the cost of goods sold and profit margin. Under such circumstances, the Group had a gross loss and net loss of AUD1.9 million (2020: a loss of AUD4.3 million) and AUD7.2 million (2020: a loss of $10 million) respectively.

The Group managed to repay RMB$13 million borrowings during the year, improving the gearing ratio and to save ongoing interest expenses. At 31 December 2021 the Group had $7.3 million cash and bank and negative working capital of AUD10.8 million.

- **Continuous investment in Research & Development (R&D)**

One major contributing factor to Kemao's competitive advantage is continuous investment in R&D. This is also a key strategy that the Group has been sticking to since its business was established. The Group considers that key technology advantages will, not only effectively differentiate Kemao's products but improve productivity and cost reduction.

For over 15 years, Kemao China has accumulated extensive experience and knowledge on tinplate manufacturing. It has registered 20 patents and plan to invest more in developing industry-leading technologies.

Fund continued to be spent on the research and development area.

Despite the business challenges of last year, the Group continued to invest in R&D amounting to AUD4.9 million (2020: AUD4 million).

- **Other Information**

NSX Listing Rule 6.9 requires the Group provide a summary of the results, assets and liabilities of the Group for the last five (5) financial years (or, for such of those years during which the Group traded). The Company was incorporated on 28 May 2018. The relevant information since then are presented as follows:

| | At 31 December 2018 000's $ | At 31 December 2019 000's $ | At 31 December 2020 000's $ | At 31 December 2021 000's $ |
|---|---|---|---|---|
| Results | 2,734 | 809 | (10,003) | (7,239) |
| Assets | 71,133 | 78,578 | 59,165 | 67,672 |
| Liabilities | 55,088 | 63,607 | 53,796 | 69,542 |

## CORPORATE GOVERNANCE STATEMENT

Our corporate governance practices are based on the principles and recommendations set out in Corporate Governance Council's Principles and Recommendations, 4th Edition issued by the Australian Securities Exchange Corporate Governance Council, which we have modified to take into account the Company's current size and scale of its operations. Our corporate governance statement which is also our "if not, why not" statement.

| No. | Y/N | If not, why not |
|---|---|---|
| **Principle 1: Lay solid foundations for management and oversight** | | |
| *1.1* | | *A listed entity should have and disclose a board charter setting out:*<br>*(a) The respective roles and responsibilities of its board and management; and*<br>*(b) Those matters expressly reserved to the board and those delegated to management.* |
| | Y | The Board has formally adopted a board charter which sets out the respective roles and responsibilities of the board and management, and those matters expressly reserved to the Board and those delegated to management. A copy of the Board Charter is available on the corporate governance page on the company's website at https://www.kemao-tinplate.com/governance-policy.html |
| 1.2 | | *A listed entity should disclose:*<br>*(a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and*<br>*(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.* |
| | Y | The Company's board charter sets out the processes to appoint or remove a Director.<br><br>When a candidate is standing for election as a director, detailed biographical details, including their relevant qualifications and experience and the skills, are circulated to the Board for consideration. The Board conducts appropriate checks into the candidate's background and experience. Confirmation of any other material directorships currently held by the candidate and his/her own interest in the Company's securities is required from the candidate. The newly appointed director holds office only until the next following annual general meeting and is then eligible for election by shareholders.<br><br>All material biographical information of the candidate as well as the Board's statement as to whether it supports the election or re-election of the candidate are disclosed in the Notice of the Meeting.<br><br>Ms Fang Chen and Mr Jianping Zhou retired by rotation in 2021 and were re-elected at the 2021 AGM. Ms Xunkun Li, who was appointed a director on 3 March 2021, was elected in the 2021 AGM. Details of their respective skills and experience were outlined in the Notice of Annual General Meeting 2021. The Board considered that their experience and skills complements and strengthens the Board's existing skills and experience. The re-election of Ms Chen and Mr Zhou and election of Ms Li were unanimously supported by all other directors. |
| 1.3 | | *A listed entity should have a written agreement with each director and senior executive setting out the terms of the appointment.* |
| | Y | On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The appointment letters are between the Company and the directors personally. The letter summarises the Board policies and terms of appointment, including compensation relevant to the office of director, the requirement to disclose the director's interests and any matters which could affect the director's independence.<br><br>As the Company's operating business is currently located in China, some senior executives may be employed by Kemao China on a full-time basis and have signed employment contracts under relevant labour laws of China. |

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| 1.4 | | *The company secretary of a listed entity should be accountable directly to the board, through the chair; on all matters to do with the proper functioning of the board.* |
| | Y | Our Company Secretary is appointed and removed by the Board and is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board. |
| 1.5 | | *A listed entity should:*<br>*(a) have and disclose a diversity policy;*<br>*(b) through its board or a committee of the board, set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and*<br>*(c) disclose in relation to each reporting period:*<br>*(1) the measurable objectives set for that period to achieve gender diversity;*<br>*(2) the entity's progress towards achieving those objectives; and*<br>*(3) either:*<br>*(i) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or*<br>(ii) *if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined and published under the Act.* |
| | N | The Board supports workplace diversity, including gender diversity but considers that the Company is not of a size or maturity to justify a formal diversity policy. The Board's priority has been to ensure that its members have the appropriate level of experience and skills to manage the Company at its early stages of operations rather than focusing on gender and other diversity factors. The Board currently consists of two female directors and three male directors. |
| 1.6 | | *A listed entity should:*<br>*(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and*<br>(b) *disclose, for each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process during or in respect of that period.* |
| | Y | The performance of the board was assessed by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee reviewed the size, the mix of skills of the Board, the performance of each director including the number of their attendance in directors' meeting and their contribution.<br><br>The Nomination and Remuneration Committee performed a evaluation during the year. |
| 1.7 | | *A listed entity should:*<br>*(a) have and disclose a process for periodically evaluating the performance of its senior executives at least once every reporting period; and*<br>(b) *disclose for each reporting period, whether a performance evaluation has been undertaken in the reporting period in accordance with that process during or in respect of that period.* |
| | Y | The Company has a formal process to evaluate the performance of its senior executives. The Executive Directors review the performance of the senior management according to their job responsibilities. Evaluation meetings are usually held annually where both parties discuss performance during the year against the pre-set targets. The performance evaluation was undertaken during the year. |

**Principle 2: Structure the board to add value**

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| 2.1 | | *The board of a listed entity should:*<br>*(a) have a nomination committee;*<br><br>*if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills.* |
| | Y | The Board has a remuneration and nomination committee that is chaired by Mr ZHOU Jianping (Non-Executive Director) and consists of two other members, Mr Bill LAM (Non-Executive Director) and Ms Fang Chen (Executive Director). The committee undertakes the process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors. Where |

appropriate, independent consultants will be engaged to identify possible new candidates for the Board either as addition to the Board to supplement its current skills and experience or as part of succession planning for the Board.

2.2 *A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or its looking to achieve in its membership.*

Y The skills matrix setting out the mix of skills and diversity that the Board currently has is set out below:

| | LAM Long Huy (Bill) | CHEN Dong | CHEN Fang | ZHOU Jianping | LI Xuekun |
|---|---|---|---|---|---|
| Corporate governance | ✓ | | | | ✓ |
| General and administrative management | | ✓ | ✓ | ✓ | ✓ |
| Sales and marketing | | ✓ | ✓ | | |
| Risk management | ✓ | | | | ✓ |
| Financial management | ✓ | | | | ✓ |
| Entrepreneurship | | ✓ | | ✓ | |

2.3 *A listed entity should disclose:*

2.4 *(a) the names of the directors considered by the board to be independent directors;*

*(b) if a director has an interest, position, association or relationship but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and*

*(c) the length of service of each director.*

*A majority of the board of a listed entity should be independent directors.*

Y As of the date of this corporate governance statement, the Board comprises of three independent Non-Executive Directors and two Executive Directors. Mr LAM Long Huy, Mr ZHOU Jianping and Ms LI Xuekun are considered as independent directors as they are free of any material interest, position, association or relationship that might influence, or reasonable be perceived to influence, in a material respect their capacities to bring an independent judgement.

Except for Ms LI Xuekun who was appointed on 3 March 2021, all the other directors were appointed on 28 May 2018.

2.5 *The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.*

Y Currently, the chair of the Board is Mr LAM Long Huy (Bill) who is an independent non-executive director. The person that performs the role of the CEO is Mr CHEN Dong, the Executive Director and also the General Manager of Kemao China.

2.6 *A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.*

Y The Board has put in place a programme in which all new directors will be assessed by the Company's nominated adviser as to the extent of his or her awareness of his or her responsibilities as a director of a company which is listed on NSX, and where such awareness is insufficient, to undergo such training or induction as may be recommended by the nominated adviser.

The present members of the Board are aware of their personal responsibilities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively and, if so requested by a Director, the Company will bear reasonable costs and expenses of any continuing education programme or course which a Director may request to attend.

**Principle 3: Act ethically and responsibly**

3.1 *A listed entity should articulate and disclose its values.*

Y The Company's goal is to develop to be a professional and reliable partner of the metal packaging businesses around the world. The Company's value is to be consistent, reliable and quality assured. This is disclosed at https://www.kemao-tinplate.com/growth-strategy.html

3.2 *A listed entity should:*

(a) *have and disclose a code of conduct for its directors, senior executives and employees; and*

(b) *ensure that the board or a committee of the board is informed of any material breaches of that code.*

Y The Company has adopted and disclosed a Code of Conduct applicable to all Directors, senior executives and employees at https://www.kemao-tinplate.com/governance-policy.html

3.3 *A listed entity should:*

(a) *have and disclose a whistleblower policy; and*

(b) *ensure that the board or a committee of the board is informed of any material incidents reported under that policy.*

N The Group does not have a whistle-blower policy. If any employee has concerns, they can directly report to the directors.

3.4 *A listed entity should:*

(a) *have and disclose an anti-bribery and corruption policy; and*

(b) *ensure that the board or a committee of the board is informed of any material breaches of that policy.*

N The Group does not have an anti-bribery and corruption policy. All employee are required to comply with Code of Conduct and other internal policies and regulations.

**Principle 4: Safeguard integrity in corporate reporting**

4.1 *The board of a listed entity should:*

(a) *have an audit committee;*

(b) *if it does not have an audit committee, disclose that fact and the processes it employs to that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*

Y The board has an audit committee that is chaired by Mr LAM Long Huy (Bill) (Non-executive Director) and consists of two other members, Ms LI Xuekun) and Mr ZHOU Jianping, both of whom are non-executive Directors. The committees in consultation with the incumbent external auditor, undertakes the selection and proper application of accounting policies, the integrity of financial reporting, the identification and management of risk and review of the operation of the internal control systems.

The board has maintained regular communication with the external auditor and monitor its performance on a yearly basis. The Company's auditor has a proper policy regarding the rotation of the audit engagement partner and signs an independent declaration to the Company every year.

4.2 *The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.*

Y The Board has received an annual assurance in the form of a declaration from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) as required by the Corporations

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| | | Act 2001. |
| 4.3 | | *A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.* |
| | Y | The Company releases market update announcements that are not audited or reviewed by an external auditor from time to time. The reports are discussed at the Board meeting and prepared by the Company Secretary who has rick knowledge and experience in corporate governance. The reports are reviewed by the Chairman and be verified with external sources whenever possible. |
| **Principle 5: Make timely and balanced disclosure** | | |
| 5.1 | | *A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.* |
| | Y | The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities. A summary of these policies and procedures is available at https://www.kemao-tinplate.com/governance-policy.html. To ensure it meets its continuous disclosure obligations, the Board has nominated the Chairman and the Company Secretary as responsible for all disclosure matters. Their role is to collate and, where appropriate, disclose share price sensitive information. |
| 5.2 | | *A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.* |
| | Y | All market announcements are discussed by the Board, Material market announcements require the Board's approval. |
| 5.3 | | *A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.* |
| | N/A | The Company has not given any new and substantive investor or analyst presentation for the reporting period. |
| **Principle 6: Respect the rights of security holders** | | |
| 6.1 | | *A listed entity should provide information about itself and its governance to investors via its website.* |
| | Y | The Company maintains a company website (www.kemao-tinplate.com). The website contains information about the Company and its operating subsidiaries. |
| 6.2 | | *A listed entity should have an investor relations program that facilitates effective two-way communication with investors.* |
| | Y | The Company encourages communication with shareholders. A business report is presented to shareholders at the annual general meeting and shareholders can ask questions directly of the Board. On each NSX announcement, the Company provides contact details, including phone number and email address to facilitate shareholder communication. |
| 6.3 | | *A listed entity should disclose how it facilitate and encourage participation at meetings of security holders.* |
| | Y | The Board has adopted a shareholder Communication Policy and provide Shareholders with opportunities to have questions addressed at shareholders' meetings. A copy of the Shareholder Communication Policy is available at https://www.kemao-tinplate.com/governance-policy.html |
| 6.4 | | *A listed entity should ensure that all substantive resolutions at a meeting of security of security holders are decided by a poll rather than by a show of hands.* |
| | Y | All resolutions at the 2021 AGM were decided by a poll. |
| 6.5 | | *A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.* |
| | Y | The Company's security registry has in place and has implemented a system in which security holders are given the option to receive communication from, and send communication to, the entity and its |

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| | | security registry electronically. |

**Principle 7: Recognise and manage risk**

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| 7.1 | | *The board of a listed entity should:*<br>*(a) have a committee or committees to oversee risk;*<br>*(b) if it does not have a risk committee or committees that satisfy the relevant criteria, disclose that fact and the processes it employs for overseeing the entity's risk management framework.* |
| | Y | The Board has a risk management committee that is chaired by Mr LAM Long Huy (Bill) (Non-Executive Director) and consists of two other members, Mr ZHOU Jianping (Non-Executive Director) and Mr CHEN Dong (Executive Director). The committee oversees the risk management for the Company, taking into account key material risks faced by the Company as identified by the Board and how these risks or, if the risks materialises, its possible impact can be minimised. A copy of the Risk Management and Internal Control Policy is available at https://www.kemao-tinplate.com/governance-policy.html<br><br>The Board ensures that risk management is included on the agenda of meetings of the board. |
| 7.2 | | *The board or a committee of the board should:*<br>*(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and*<br>*(b) disclose, in relation to each reporting period, whether such a review has taken place.* |
| | Y | The board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound. A review of risk management framework was conducted during the reporting period. |
| 7.3 | | *A listed entity should disclose:*<br>*(a) if it has an internal audit function, how the function is structured and what role it performs; or*<br>*(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.* |
| | N | The Company does not have an internal audit function.<br><br>The primary responsibility for risk management and internal controls on a day-to-day basis at the operations level vests with the Board. The Board discusses business risks at the directors' meetings. The Executive Directors ensure the daily operation complies with the Group's internal control policies. The Board communicates with the external auditor regarding internal control and fraud every year. |
| 7.4 | | *A listed entity should disclose whether it has any material exposure to economic, environmental or social sustainability risks and, if it does, how it manages or intends to manage those risks.* |
| | Y | The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory. The Board considers the Company does not have material exposure to economic, environmental or social sustainability risks.<br><br>The Group's Chinese operating subsidiary is subject to regulations under the relevant Chinese environmental law. The Group's manufacturing operations have not been significantly affected by Chinese environmental laws and regulations. |

**Principle 8: Remunerate fairly and responsibly**

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| 8.1<br><br>8.2 | | *The board of a listed entity should:*<br>*(a) have a remuneration committee;*<br>*(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*<br><br>*A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.* |
| | Y | The Board has a remuneration and nomination committee that is chaired by Mr ZHOU Jianping (Non-Executive Director) and consists of two other members, Mr Bill LAM (Non-Executive Director) and Ms CHEN Fang (Executive Director). |

The Company adopts the following policies and practices regarding the remuneration of Executive Directors, Non-Executive Directors and senior executives:

- Executive Directors and Non-Executive Directors are paid only Directors' fees or salaries.
- The Company's non-executive directors receive a fixed fee for their services and do not receive performance-based remuneration. Fees for non-executive directors are not linked to the performance of the Company. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and is currently set at $100,000 per annum. No retirement benefits are provided to Non-executive directors.
- The Board sets and determines the remuneration for senior executives and will do so having regard to prevailing levels paid to executives performing similar roles at comparable companies.

8.3 *A listed entity which has an equity-based remuneration scheme should:*
*(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and*
*(b) disclose that policy or a summary of it.*

N/A This Recommendation is not applicable as the Company does not have an equity-based remuneration scheme.

**Principle 9: Additional recommendations that apply only in certain cases**

9.1 *A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understand and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.*

Y All directors can speak Mandarin. The Chairman and the Company Secretary are bilingual who act as interpreters at AGM. All key corporate documents, including Board Papers, minutes, financial statements are prepared and discussed in both English and Chinese. Directors may engage independent translation services when necessary.

9.2 *A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.*

N/A The Company is established in Australia and this recommendation is therefore not applicable. It holds its General Meeting every year.

9.3 *A listed entity established outside Australia, and an externally managed listed entity that has an AGM, should ensure that its external auditors attends its AGM and is available to answer questions from security holders relevant to the audit.*

N/A The Company is established in Australia and this recommendation is therefore not applicable. The Company's external auditors attend to its AGM every year to answer questions from shareholders.

## DIRECTORS' REPORT

The directors present their report, together with the consolidated financial statements of Kemao Industries Limited ("the Company") and its controlled entities ("the Group") for the financial year ended 31 December 2021. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

**Information of directors**

The names and particulars of the directors of the Company during or since the end of the financial year are:

**LAM Long Huy, B.Bus (Major)** *(Non-executive Director, Chairman from 29 March 2021)*

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| **Experience and expertise** | Mr Lam is the founder and executive director of ABL Accounting and Taxation Pty Ltd, a boutique accounting firm which he established in 1993. Qualified as a CPA in Australia, his practice focus is in advising clients on accounting, tax planning and compliance and general corporate compliance matters. His corporate clients operate in a range of industries such as retail, property, education, recruitment, hospitality and the medical and legal professions. Prior to founding ABL Accounting and Taxation Pty Ltd, he worked as the financial controller of Wills Australia for 10 years and at AAPT Limited, a company listed on the ASX before it was acquired, then delisted, by Telecom New Zealand. |
| **Current and Former directorships in other Australian public companies** | Non-executive director of Jiajiafu Modern Agriculture Limited (ASX:JJF) from 2019 to 2020;<br><br>Non-executive director of Sanhe Building Materials Technology Company Limited from 2015 to 2017. |
| **Special responsibilities** | Finance and corporate management. Mr Lam is the Chairman of the Risk Management Committee, a member of the Audit Committee, and Nomination and Remuneration Committee. |
| **Interest in shares and options in the Company** | None |

**LEONG, Chong Peng, B.Comm** *(Non-Executive Chairperson)(resigned 2 March 2021)*

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| **Experience and expertise** | Ms Leong is a Certified Practising Accountant and Registered Company Auditor in Australia. She is a director of CPL Corporate, a professional Perth-based practice specialising in providing accounting and corporate services to small and medium sized businesses. Prior to founding CPL Corporate, she was an executive director of the Australian member firm of a mid-tier international accounting network and, in her early career, worked at the Hong Kong, Shanghai and Perth office of a Big-Four international accounting firm. During her career, she had participated in the audits of multinational and listed companies in Hong Kong, China and Australia and had gained experience in accounting, corporate governance, risk management and corporate compliance. |
| **Current and Former directorships in other Australian public companies** | The Yima Trading Company Ltd (from November 2017 – May 2019) |
| **Special responsibilities** | Finance and corporate management. Ms Leong was the Chairperson of the Audit Committee. |
| **Interest in shares and options in the Company** | None |

**CHEN, Dong** (*Managing Director)*

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| **Experience and expertise** | Mr Chen joined Kemao New Materials Technology Co. Ltd (Kemao China) in |

| | |
|---|---|
| | 2016 and in 2018 he became the General Manager. He is responsible for executing the Group's business plans, maintaining business relationship with overseas customers and managing the growth of the Group's export business. He has more than 18 years of experience in the manufacturing sector. He was a recipient of Jiangyin outstanding entrepreneur award and is currently the vice president of Jiangyin Chamber of Commerce. |
| **Current and Former directorships in other Australian public companies** | None |
| **Special responsibilities** | Business development. Mr Chen is a member of the Risk Management Committee. |
| **Interest in shares and options in the Company** | 55,460,000 shares |

**CHEN, Fang** *(Executive Director)*

| | |
|---|---|
| **Experience and expertise** | Ms Chen joined Kemao China in 2011 and is currently Chief Business Development Officer of Kemao China. She started as a management trainee in the company and was responsible for managing the manufacturing operations. She is now responsible for the company's overall marketing, raw material procurement and day-to-day management of sales activities. She was a recipient of Wuxi City's Development and Innovation Talents Award. |
| **Current and Former directorships in other Australian public companies** | None |
| **Special responsibilities** | Business development. Ms Chen is a member of the Nomination and Remuneration Committee. |
| **Interest in shares and options in the Company** | 10,000,000 shares |

**ZHOU, Jianping** *(Non-executive Director)*

| | |
|---|---|
| **Experience and expertise** | Mr Zhou was a founder of an insulating materials business and acted as the chairperson and general manager between 2000 and 2009. From 2010 until now, he is the chair and general manager of an insulation material technology company that he founded in 2010. The company runs a successful business producing insulated fire-resistant mica tapes which are sold internationally. In 2017, he was the chairperson of Jiangsu Lefu Family Technology Co., Ltd. The company manufactures graphene heating films using its own patented technology which are used for floor heating, steam rooms, foot bath buckets, floor mats, movable heaters, etc. The company has six production bases and more than a hundred franchise stores in China. |
| **Current and Former directorships in other Australian public companies** | None |
| **Special responsibilities** | Industry research and marketing. Mr Zhou is the Chairman of the Nomination and Remuneration Committee, and a member of the Audit Committee and the Risk Management Committee. |
| **Interest in shares and options in the Company** | None |

**LI, Xuekun** *(Non-executive Director, appointed 2 March 2021; Company Secretary)*

| | |
|---|---|
| **Experience and expertise** | Ms LI Xuekun, ACCA, ACIS, is a Non-Executive director and Company Secretary of the Company. Ms Li is a chartered company secretary and a qualified accountant with more than 20 years' experience in financial accounting and corporate governance. She worked as an audit manager in the China practice of a Big-Four international accounting firm where she was involved in audits and initial public offerings engagements. She relocated to and commenced her career in Australia in 2006. She is the founder and a director of INP Perth Pty Ltd, a boutique firm providing financial and corporate services. She is the company secretary of Energy Metals Limited (ASX:EME) and Australia United Mining Limited (ASX: AYM). |
| **Current and former directorships in other Australian public companies** | None |
| **Special responsibilities** | Finance and corporate management. |
| **Interest in shares and options in the Company** | None |

**Principal activities**

The principal activities of the Group in the course of the financial year were the manufacture of electrolytic tinplate products.

**Operating results**

The consolidated loss after tax for the year ended 31 December 2021 amounted to $7,239,000 (2020: a loss of $10,282,000).

**Review of operations**

The Group is a professional metal packaging solution provider. The Group specialises in the production and supply of tinplate and relevant products to domestic China and global markets. The Group's production base and manufacture centre are situated in the Jiangsu Province of China.

The Group achieved revenue of AUD179 million in 2021, up 22.6% on the previous year. Though overseas sales remained subdued, domestic sales were strong, growing by 26.5% to AUD154 million. Since the costs of raw material and shipping fee increased dramatically, the Group suffered a net loss for the period of AUD7 million.

At 31 December 2021 KEM had around $7.3 million cash and bank and negative $10.8 million working capital. Despite the unprecedented challenges, the Group managed to repay RMB$13 million borrowings during the year. The repayment improves the Group's gearing ratio and will reduce ongoing interest expenses.

**Review of financial conditions**

The Group had net liabilities $1,870,000 at 31 December 2021 (31 December 2020: net assets of $5,369,000).

**Share options granted to directors and senior management**

During and since the end of the financial year, no share options were granted to the directors and senior management.

**Significant changes in state of affairs**

The Company had no significant changes in state of affairs during the year.

**Subsequent events**

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

**Future developments**

The Group will continue to develop its tin-plate manufacturing in China and expand in overseas markets.

**Environmental regulations**

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

The Group's Chinese operating subsidiary is subject to regulations under the relevant Chinese environmental law. The Group's manufacturing operations have not been significantly affected by Chinese environmental laws and regulations.

**Dividends**

No dividends were paid or declared during the year. No recommendation for payment of dividends has been made.

**Shares under option**

At 31 December 2021, there were no shares under option (31 December 2020: Nil).

**Shares issued on exercise of options**

There were no shares issued on exercise of options during the financial year and up to the date of this report.

**Indemnification and insurance of officers and auditors**

The Company has entered into a deed of indemnity, insurance and access with each of its Directors and Company Secretary under which the Company agreed to indemnity each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company will also use its best endeavour to keep the officers insured for the benefit of the relevant officer and allow the officer to inspect company records in certain circumstances.

No indemnities have been given to the Auditor. The Company has not paid premiums to insure the directors and officers of the Company for the period 1 January 2021 to 31 December 2021 against those liabilities for which insurance is permitted under section 199B of the *Corporations Act 2001*.

**Meetings of directors**

During the financial year, four meetings of directors were held. Attendances by each director during the year were as follows. No committee meetings were held during the financial year.

| | **Directors' Meetings** | |
|---|---|---|
| | **Number eligible to attend** | **Number attended** |
| Mr Lam, Long Huy | 4 | 4 |
| Mr Chen, Dong | 4 | 4 |
| Ms Chen, Fang | 4 | 4 |
| Mr Zhou, Jianping | 4 | 4 |
| Ms Li, Xuekun | 4 | 4 |

**Proceedings on behalf of company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring material proceedings on behalf of the Company and Group, or to intervene in any proceedings to which the Company and Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company and Group with leave of the Court under section 237 of the Corporations Act 2001.

**Non-audit Services**

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 25 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence, for the following reasons:

- no non-audit services have been occurred during the year; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

**Auditor's independence declaration**

The auditor's independence declaration is included on page 23 of this report.

**Rounding off of amounts**

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

## REMUNERATION REPORT (AUDITED)

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of the Company's key management personnel for the financial year ended 31 December 2021. The prescribed details for each person covered by this report are detailed below under the following headings:

- remuneration policy
- key management personnel emoluments
- service agreements
- options granted as part of remuneration
- share-based compensation
- securities policy

Directors and Key Management Personnel ("KMP")

| | |
|---|---|
| Lam, Long Huy | Non-Executive Chairman |
| Chen, Dong | Managing Director |
| Chen, Fang | Executive Director |
| Zhou, Jianping | Non-Executive Director |
| Li, Xuekun | Non-Executive Director (appointed 2 March 2021) |
| | |
| Chong Peng Leong | Non-Executive Director (resigned 2 March 2021) |

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

**Remuneration Policy**

The remuneration policy of the Group has been designed to align directors' objectives with shareholders and business objectives. The Board of Kemao Industries Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the business, as well as create goal congruence between directors, executives and shareholders. The Board's policy for determining the nature and amount of remuneration for Board members of the Company as follows:

All executives receive either directors' fees or salaries. The Board reviews executive packages annually by reference to the executive's performance and comparable information from industry sectors and other listed companies in similar industries.

The Board's policy is to remunerate non-executive directors at commercial market rates for comparable companies for their time, commitment and responsibilities. The maximum aggregate amount of fees that can be paid to non-executive directors is currently set at $100,000 per annum and subject to approval by shareholders at the Annual General Meeting for increase. Fees for non-executive directors are not linked to the performance of the Group.

The Board is responsible for determining and reviewing the compensation of the directors and the Executive Directors are responsible for determining and reviewing the remuneration of senior executives. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining executives with the skills to manage the Group's operations. The Board of Directors assesses market rates and seeks the advice of external advisers, where necessary, in connection with the structure of remuneration packages. The Board also recommends levels and form of remuneration for Non-Executive Directors with reference to performance, relevant comparative remuneration and independent expert advice. The total sum of remuneration payable to Non-Executive Directors shall not exceed the sum fixed by members of the Company in general meeting.

There is no direct relationship between the Company's Remuneration Policy and its performance. However, in determining the remuneration to be paid in each subsequent financial year, the Board may consider to link with the Company's performance.

The following table shows the share price and the market capitalisation of the Company at the end of 31 December 2021. The Company has been listed on the NSX since 10 January 2020. No dividends have been paid during the year.

| | At 31 December 2021 |
|---|---|
| Share Price | $0.615 |
| Market Capitalisation | $62.1M |
| Dividend | - |

**Key Management Personnel Emoluments**

The Group's policy for determining the nature and amount of emoluments of key management personnel is that directors are to be paid by salaries or consulting fees at commercial rates for professional services performed.

Details of the nature and amount of each element of the emoluments of each director of Kemao Industries Limited are set out in the following tables.

| | | Short-Term Benefits | | Post-Employment | Share-Based Payment | | Remu-neration Consisting of Options | Per-formance related |
|---|---|---|---|---|---|---|---|---|
| | | Directors Fees $ | Cash Salary, Consulting Fees $ | Super-annuation $ | Options $ | Total $ | Total $ | Total $ |
| **Non-Executive Directors** | | | | | | | | |
| Lam L. H. | 2021 | 23,000 | - | - | - | 23,000 | - | - |
| | 2020 | 20,000 | - | - | - | 20,000 | - | - |
| Zhou J.P. | 2021 | 10,000 | - | - | - | 10,000 | - | - |
| | 2020 | 10,000 | - | - | - | 10,000 | - | - |
| *Li X.K. | 2021 | 16,667 | - | - | - | 16,667 | - | - |
| | 2020 | - | - | - | - | - | - | - |
| **Leong C. P. | 2021 | 4,000 | - | - | - | 4,000 | - | - |
| | 2020 | 24,000 | - | - | - | 24,000 | - | - |
| **Executive Directors** | | | | | | | | |
| Chen. D | 2021 | 1,000 | 31,995 | - | - | 32,995 | - | - |
| | 2020 | 1,000 | 35,700 | - | - | 36,700 | - | - |
| Chen. F | 2021 | 1,000 | 33,975 | - | - | 34,975 | - | - |
| | 2020 | 1,000 | 33,600 | - | - | 34,600 | - | - |
| **Total** | **2021** | **55,667** | **65,970** | **-** | **-** | **121,637** | **-** | **-** |
| | **2020** | **56,000** | **69,300** | **-** | **-** | **125,300** | **-** | **-** |

*: appointed 2 March 2021
**: resigned 2 March 2021

**Service Agreements**

On appointment to the Board, all directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms of appointment, including compensation relevant to the office of director. Remuneration and other terms of employment for the directors are also formalised in service agreements as summarised below.

LAM L.H.
On 28 May 2018, Mr Lam was appointed as a Non-Executive Director and on 29 March 2021 Mr Lam was appointed Non-Executive Chairman. According to a letter of appointment, Mr Lam is entitled to a director's fee of $20,000 per annum and from 29 March 2021 he is entitled to a director's fee of $24,000 per annum.

ZHOU J.P.
On 28 May 2018, Mr Zhou was appointed as a Non-Executive Director. According to a letter of appointment, Mr Zhou is entitled to a director's fee of $10,000 per annum.

LI X.K.
On 2 March 2021, Ms Li was appointed as a Non-Executive Director. According to a letter of appointment, Ms Li is entitled to a director's fee of $20,000 per annum.

The Group enters into a service agreement with INP Perth Pty Ltd, a corporate consulting company of which Ms Li is a director and shareholder. Fees charged at normal commercial rates and conditions. INP Perth Pty Ltd has provided accounting and secretarial services during the year to the amount of $47,787 (2020: 30,098).

CHEN D.
On 28 May 2018, Mr Chen was appointed as an Executive Director. According to a letter of appointment, Mr Chen is entitled to a director's fee of $1,000 per annum.

CHEN F.
On 28 May 2018, Ms Chen was appointed as an Executive Director. According to a letter of appointment, Ms Chen is entitled to a director's fee of $1,000 per annum.

**Options granted as part of remuneration**

There were no options issued during the year to any of the KMP (2020: nil).

**Share-based compensation**

No shares in the Company were provided as remuneration to directors of Kemao Industries Limited (2020: nil).

**Equity instruments held by key management personnel**

| | Ordinary Shares | Options |
|---|---|---|
| LAM L.H. | - | - |
| ZHOU J.P. | - | - |
| LI X.K. | - | - |
| CHEN D. | 55,460,000 | - |
| CHEN F. | 10,000,000 | - |

**Securities Policy**

The Company has implemented a policy on trading in the Company's securities designed to ensure that all directors, senior management and employees of the Company act ethically and do not use confidential inside information for personal gain. The policy states acceptable and unacceptable times for trading in Company securities and outlines the responsibility of directors, senior management and employees to ensure that trading complies with the Corporations Act 2001, the National Stock Exchange of Australia (NSX) Listing Rules and Company Policy.

Any transaction conducted by Directors with regards to shares of the Company requires notification to the NSX. Each Director has entered into an agreement to provide any such information with regards to Company dealings directly to the Company Secretary promptly to allow the Company to notify the NSX within the required reporting timeframes.

**Shares provided on exercise of options**

No ordinary shares in the Company were provided as a result of the exercise of remuneration options to directors of Kemao Industries Limited and key management of the Company during the year (2020: nil).

**End of Remuneration Report (Audited).**

Signed in accordance with a resolution of the Board of Directors:

Director: ................................................................ Date: 30 March 2022
LAM Long Huy

MGI Perth Audit Services Pty Ltd
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**KEMAO INDUSTRIES LIMITED AND CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF KEMAO INDUSTRIES LIMITED AND CONTROLLED ENTITIES**

As lead auditor for the audit of Kemao Industries Limited and Controlled Entities for the year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

MGI Perth

**Name of Firm:** MGI Perth Audit Services Pty Ltd

Chartered Accountants

**Name of Auditor:** ______________________

Clayton Lawrence
Director

**Address:** Level 1, 322 Hay Street, Subiaco, Western Australia

**Dated this** 30th day of March 2022

Kemao Industries Limited

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

## For the Year Ended 31 December 2021

| | Note | 2021<br>000's<br>$ | 2020<br>000's<br>$ |
|---|---|---|---|
| Revenue | 5 | **171,908** | 140,994 |
| Cost of sales | | **(173,858)** | (145,250) |
| Gross Profit/(Loss) | | **(1,950)** | (4,256) |
| Other income | | **7,130** | 5,046 |
| Administrative expenses | 7 | **(8,411)** | (7,433) |
| Operating expenses | | **(345)** | (133) |
| Allowance for impairment losses | 7 | **(2,960)** | (2,016) |
| Finance costs | 8 | **(1,635)** | (1,994) |
| **Profit/(Loss) before income tax** | | **(8,171)** | (10,786) |
| Income tax expense | 9 | **823** | 504 |
| **Profit/(Loss) for the year** | | **(7,348)** | (10,282) |
| **Other comprehensive income, net of income tax** | | | |
| Exchange differences on translating foreign controlled entities | | **109** | 279 |
| **Total comprehensive income/(expense) for the year** | | **(7,239)** | (10,003) |
| Profit attributable to: | | | |
| Members of the parent entity | | **(7,239)** | (10,282) |
| Total comprehensive income/(expense) attributable to: | | | |
| Members of the parent entity | | **(7,239)** | (10,003) |
| **Earnings/(Loss) per share** | | | |
| Basic | 10 | **(7.28)c** | (10.18)c |
| Diluted | | **(7.28)c** | (10.18)c |

The accompanying notes form part of these consolidated financial statements.

Kemao Industries Limited
## Consolidated Statement of Financial Position
## As at 31 December 2021

| | Note | 2021 000's $ | 2020 000's $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and bank balances | 11 | **7,264** | 7,953 |
| Trade receivables | 12 | **15,580** | 13,986 |
| Other receivables and advance payments | 13 | **7,660** | 8,011 |
| Inventories | 14 | **26,790** | 18,673 |
| **Total Current Assets** | | **57,294** | 48,623 |
| **Non-Current Assets** | | | |
| Plant and equipment | 15 | **7,615** | 8,690 |
| Right-of-use assets | 16 | **851** | 807 |
| Deferred tax assets | 17 | **1,912** | 1,045 |
| **Total Non-Current Assets** | | **10,378** | 10,542 |
| **TOTAL ASSETS** | | **67,672** | 59,165 |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 18 | **43,261** | 27,131 |
| Borrowings | 19 | **24,865** | 24,454 |
| **Total Current Liabilities** | | **68,126** | 51,585 |
| **Non-Current Liabilities** | | | |
| Borrowings | 19 | **-** | 994 |
| Other payables | 18 | **1,416** | 1,217 |
| **Total Non-Current Liabilities** | | **1,416** | 2,211 |
| **TOTAL LIABILITIES** | | **69,542** | 53,796 |
| **NET ASSETS** | | **(1,870)** | 5,369 |
| **EQUITY** | | | |
| Issued capital | 21 | **17,144** | 17,144 |
| Reserves | | **1,263** | 1,154 |
| Accumulated losses | | **(20,277)** | (12,929) |
| **TOTAL EQUITY** | | **(1,870)** | 5,369 |

The accompanying notes form part of these consolidated financial statements.

Kemao Industries Limited

## Consolidated Statement of Changes in Equity

**For the Year Ended 31 December 2021**

| | Ordinary Shares 000's $ | Accumulated Losses 000's $ | Foreign Currency Translation Reserve 000's $ | Total 000's $ |
|---|---|---|---|---|
| **Balance at 1 January 2021** | **17,144** | **(12,929)** | **1,154** | **5,369** |
| **Loss for the year** | **-** | **(7,348)** | **-** | **(7,348)** |
| **Other comprehensive income for the year** | **-** | **-** | **109** | **109** |
| **Total comprehensive expense for the year** | **-** | **(7,348)** | **109** | **(7,239)** |
| **Balance at 31 December 2021** | **17,144** | **(20,277)** | **1,263** | **(1,870)** |
| | | | | |
| Balance at 1 January 2020 | 16,743 | (2,647) | 875 | 14,971 |
| Loss for the year | - | (10,282) | - | (10,282) |
| Other comprehensive income for the year | - | - | 279 | 279 |
| Total comprehensive expense for the year | - | (10,282) | 279 | (10,003) |
| Contributions of equity net of transaction costs | 401 | - | - | 401 |
| Balance at 31 December 2020 | 17,144 | (12,929) | 1,154 | 5,369 |

The accompanying notes form part of these consolidated financial statements.

## Consolidated Statement of Cashflows

### For the Year Ended 31 December 2021

| | Note | 2021 000's $ | 2020 000's $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Receipts from customers | | **182,451** | 145,078 |
| Payments to suppliers and employees | | **(179,640)** | (140,376) |
| Interest paid | | **(2,120)** | (2,279) |
| Income tax credit | | **823** | 504 |
| Interest received | | **79** | 72 |
| Net cash from operating activities | 22 | **1,593** | 2,999 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Purchase of plant and equipment | | **(206)** | (213) |
| Withdrawal from term deposits | | **182** | - |
| Change in bank balances for restricted use | | **(988)** | 2,653 |
| Net cash from/(used in) investing activities | | **(1,012)** | 2,440 |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Proceeds from borrowings | | **23,725** | 25,836 |
| Repayment of borrowings | | **(26,406)** | (29,197) |
| Other financing inflows | | **-** | (99) |
| Net cash used in financing activities | | **(2,681)** | **(3,460)** |
| Net increase/(decrease) in cash and cash equivalents | | **(2,100)** | 1,979 |
| Cash and cash equivalents at beginning of year | | **5,768** | 4,009 |
| Effect of foreign exchange rate changes | | **184** | (220) |
| Cash and cash equivalents at end of financial year | 8 | **3,852** | 5,768 |

The accompanying notes form part of these consolidated financial statements.

1. General information

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the Corporations Act 2001, Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB), and comply with other requirements of the law.

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB). Consequently, this financial report has been prepared in accordance with and complies with IFRS as issued by the IASB.

The financial statements comprise the consolidated financial statements of Kemao Industries Limited ("the Company") and its controlled entities ("the Group"). For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The financial report was authorised for issue by the Directors on 29 March 2022.

*Presentation currency and comparative figures*

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Comparatives are consistent with prior years, unless otherwise stated. The Group is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies and, accordingly amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

*Basis of accounting*

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

*Going concern*

The Group incurred a net loss of $7.2 million during the year ended 31 December 2021 and, as of that date, the Group has accumulated loss of $20.3 million. Also the Group had a negative working capital of $10.8 million. Accordingly, the ability of the Company to meet its obligations is therefore dependent on the continuous financial support from its major shareholders and viable operations existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than the amounts at which they are currently recorded in the financial position.

The financial statements have been approved by the Directors on a going concern basis. In determining the appropriateness of the basis of preparation, the Directors have considered the impact of the COVID 19 pandemic on the position of the Group at 31 December 2021 and its operations in future periods. The ability of the consolidated entity to continue as a going concern is dependent on the financial support received from the major shareholders and its ability to secure additional funding through borrowings or capital raisings as and when required to continue to meet its working capital requirements in the future. In addition, the Group may have to provide for further liabilities that might arise. The consolidated financial statements do not include such adjustment, as the Directors are optimistic that the Company will operate in a profitable manner in the foreseeable future, and accordingly they believe that it is appropriate for the financial statements of the Group to be prepared on the going concern basis.

2. Adoption of new and revised Australian Accounting Standards

The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

At the date of authorization of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, interpretations and amendments that have been issued but are not yet effective:

*AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an investor and its Associates or Joint Venture [AASB 10 & AASB 128], AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections, effective for annual reporting periods beginning on or after 1 January 2022;*

*AASB 2020-1Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current, AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current, effective for annual reporting periods beginning on or after 1 January 2023;*

*AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments, effective for annual reporting periods beginning on or after 1 January 2022.*

*AASB 2021-2 Amendments to Australian Accounting Standards – Discosure of Accounting Policies and Definition of Accounting Estimates, effective for annual reporting periods beginning on or after 1 January 2023;*

*AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction, effective for annual reporting periods beginning on or after 1 January 2023.*

3. Summary of Significant Accounting Policies

(a) Basis for consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests.

(b) Revenue

The Group recognises revenue from the sale of electrolytic tinplate products.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

(c) Leases – the Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise :

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB137. To the extent that the costs relate to a right-of- use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

(d) Foreign currencies

In preparing the financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non- monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

(e) Borrowing costs

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

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

(f) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(g) Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service. Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

(h) Income Tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

*Current tax*
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

*Deferred tax*
Deferred tax is the tax expected to be payable or recoverable 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 is accounted for using the 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. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting 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 is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(i) Goods and services tax (GST) & Value added tax (VAT)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST) or value added tax (VAT), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST or VAT is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and payable are stated inclusive of GST or VAT.

Cash flows in the consolidated statement of cash flows are included on a gross basis and the GST or VAT component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(j) Plant and equipment

Plant, machinery, fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment loss. Plant and equipment are measured using the cost model.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

| Fixed asset class | Depreciation rate |
|---|---|
| Plant and Equipment | 10% to 33% |
| Furniture, Fixtures and Fittings | 10% to 20% |
| Motor Vehicles | 20% |
| Computer Equipment | 20% to 33% |
| Leasehold improvements | 33% |

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(k) Impairment of plant and equipment

At each reporting date, the Group reviews the carrying amounts of its plant and equipment 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 to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost 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.

(m) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(n) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

*Classification of financial assets*

At initial recognition, financial assets are classified as either measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. The classification depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The Group classifies its financial assets as measured at amortised cost.

Financial assets at amortized cost are financial assets held within a business model aimed at holding the asset in order to collect contractual cash flows. Timing of these cash flows is determined in the contract and comprise solely payments of principal and interest. Assets measured at amortized cost are initially recognized at fair value plus any directly attributable transaction costs. For trade receivables, the transaction price is deemed to be equal to the fair value. Subsequently, these assets are carried at amortized cost using the effective interest method less any allowance for expected credit losses.

Interest income on assets is recognized in the consolidated Income Statement.

*Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime expected credit losses (ECL) for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward- looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group). Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(iv) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date;

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used. The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

*Foreign exchange gains and losses*

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

(o) Financial liabilities and equity

*Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

*Financial liabilities*

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(p) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks 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 the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a 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.

(q) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share adjusts the basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

4. Critical accounting judgements and estimate

In applying the Group's accounting policies, which are described in note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

*Calculation of loss allowance*

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

*Impairment of plant and equipment*

The Group assesses impairment at the end of each reporting period by evaluating conditions specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

*Deferred tax assets*

Determining income tax provisions involves judgment on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgments as to the probability of future taxable revenues being generated against which tax losses will be available for offset based on budgets, current and future expected economic conditions.

5. Revenue

The Group delivers its revenue from contracts with customers for the transfer of goods at a point in time in the following major items. The disclosure of revenue by product line is consistent with the revenue information that is disclosed for each reportable segment (see note 6).

| | 2021<br>000's<br>$ | 2020<br>000's<br>$ |
|---|---|---|
| External revenue: | | |
| - sale of electrolytic tinplate products | **171,908** | 140,994 |
| | **171,908** | 140,994 |

6. Operating segments

The Group identifies its operating segments based on the nature of the products and the nature of the production processes and other economic characteristics. The Group has identified a single operating segment, being the sale of electrolytic tinplate products.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of the central administration costs including directors' salaries, finance costs, and income tax expense. This is the measure reported to the Group's Chief Executive Officer for the purpose of resource allocation and assessment of segment performance.

The Group's revenue from external customers are categorised from two geographical regions, being mainland China and overseas.

| | Sale of electrolytic tinplate products | | Unallocated | | Total | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | 000's | 000's | 000's | 000's | 000's | 000's |
| | $ | $ | $ | $ | $ | $ |
| **Revenue** | | | | | | |
| Revenue from external customers | 171,908 | 140,994 | - | - | 171,908 | 140,994 |
| Total segment revenue | 171,908 | 140,994 | - | - | 171,908 | 140,994 |
| **Result** | | | | | | |
| Gross profit | (1,950) | (4,256) | - | - | (1,950) | (4,256) |
| Other income – sales of scrape | 6,608 | 4,122 | 522 | 924 | 7,130 | 5,046 |
| Administration costs | - | - | (8,756) | (7,566) | (8,756) | (7,566) |
| Impairment loss allowance on trade and other receivables | (2,960) | (2,016) | - | - | (2,960) | (2,016) |
| Finance costs | - | - | (1,635) | (1,994) | (1,635) | (1,994) |
| Profit before income tax | 1,698 | (2,150) | (9,869) | (8,636) | (8,171) | (10,786) |
| Income tax | - | - | 823 | 504 | 823 | 504 |
| Profit/(loss) for the year | 1,698 | (2,150) | (9,046) | (8,132) | (7,348) | (10,282) |
| **Segment assets** | 15,580 | 48,861 | 52,092 | 10,304 | 67,672 | 59,165 |
| **Other segment information** | | | | | | |
| Depreciation | 1,894 | 2,243 | 64 | 254 | 1,958 | 2,497 |
| Additions to non-current assets | 216 | 80 | - | 118 | 216 | 198 |

<u>Geographical information</u>

The Group's revenue from external customers and information about its segment assets by geographical location are detailed below:

| | 2021 | | 2020 | | Total | |
|---|---|---|---|---|---|---|
| | China | Overseas | China | Overseas | 2021 | 2020 |
| | 000's | 000's | 000's | 000's | 000's | 000's |
| | $ | $ | $ | $ | | |
| Revenue | 147,261 | 24,647 | 113,688 | 27,306 | 171,908 | 140,994 |
| Assets | 64,925 | 2,747 | 57,886 | 1,279 | 67,672 | 59,165 |

## 7. Profit/(Loss) for the year

Profit for the year has been arrived at after charging/(crediting):

| | 2021 000's $ | 2020 000's $ |
|---|---|---|
| Employee benefits expense | **3,061** | 3,269 |
| Depreciation of plant and equipment | **1,958** | 2,497 |
| Depreciation of right-of-use assets | **25** | 49 |
| Research and development costs | **4,940** | 4,089 |
| Allowance for impairment losses | **2,959** | 2,016 |
| Net foreign exchange losses/(gains) | **20** | 136 |
| Crediting: | | |
| Government incentive | **-** | (630) |
| Interest income | **(79)** | (146) |

## 8. Finance costs

| | 2021 000's $ | 2020 000's $ |
|---|---|---|
| Interest on long-term payables | **88** | 256 |
| Interest on lease liabilities | **-** | 73 |
| Interest on loans | **1,547** | 1,665 |
| | **1,635** | 1,994 |

## 9. Income tax expense

The reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable income tax rate is as follows:

| | 2021 000's $ | 2020 000's $ |
|---|---|---|
| Profit/(Loss) before income tax | **(7,348)** | (10,786) |
| Income tax – Parent Company @30% | **47** | - |
| Income tax expense/ (benefit)- subsidiary @ 25% | **1,798** | 2,698 |
| Tax effect of amounts which are not deductible in calculating taxable income: | | |
| - Non-deductible expenses | **-** | 77 |
| - Deferred tax assets not recognised | **(1,845)** | (2,674) |
| Tax incentive | **823** | (557) |
| Income tax expenses/(credit) reported in the income statement | **823** | 504 |

The franking account balance at period end was nil (2020: nil).

10. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

| | 2021 000's $ | 2020 000's $ |
|---|---|---|
| Loss for the year | **(7,348)** | (10,282) |
| | **No.** | No. |
| Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share. | **101,000,000** | 101,000,000 |
| | **Cents** | Cents |
| **Earnings/(Loss) per share** | | |
| Basic | **(7.28)** | (10.18) |
| Diluted | **(7.28)** | (10.18) |

11. Cash and bank balances

| | 2021 000's $ | 2020 000's $ |
|---|---|---|
| Cash and bank balances | **7,264** | 7,953 |
| Reconciliation of cash: | | |
| Cash and cash equivalents | **7,264** | 7,762 |
| Term deposits | **-** | 191 |
| Bank balances restricted for use | **(3,412)** | (2,185) |
| Balance as per consolidated statement of cash flows | **3,852** | 5,768 |

12. Trade receivables

| | | 2021 000's $ | 2020 000's $ |
|---|---|---|---|
| CURRENT | | | |
| Trade receivables | | **21,490** | 17,102 |
| Provision for impairment | (a) | **(5,910)** | (3,116) |
| **Total current trade receivables** | | **15,580** | 13,986 |

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

(a) Impairment of receivables

The average credit period on sales of goods is 0-60 days. No interest is charged on outstanding trade receivables. The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group has recognised a loss allowance of 100 per cent against all receivables over 3 years past due because historical experience has indicated that these receivables are generally not recoverable.

The Group writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments.

| | Current | Over 30 days less than 60 days | Over 60 days less than 120 days | Over 120 days | Total |
|---|---|---|---|---|---|
| 31 December 2021: | | | | | |
| Gross carrying amount ($) | 13,278 | 478 | 681 | 7,053 | 21,490 |
| Collective provision | | | | | (5,910) |
| Total | | | | | 15,580 |
| 31 December 2020: | | | | | |
| Gross carrying amount ($) | 9,131 | 912 | 1,885 | 5,174 | 17,102 |
| Collective provision | | | | | (3,116) |
| Total | 8,950 | 894 | 1,696 | 2,446 | 13,986 |

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach which are assessed collectively.

| | 2021<br>000's<br>$ | 2020<br>000's<br>$ |
|---|---|---|
| **Opening balance of the year** | **3,116** | 1,371 |
| Net measurement of loss allowance | **2,406** | 1,808 |
| Foreign exchange gains and losses | **388** | (63) |
| **Ending balance of the year** | **5,910** | 3,116 |

(b) Collateral held as security

The Group does not hold any collateral over any receivables balances.

## 13. Other receivables and advance payments

Advance payments represent payments required to made to some suppliers for the purchase of raw materials.

| | 2021 000's $ | 2020 000's $ |
|---|---|---|
| Gross carrying amount | **9,399** | 8,860 |
| Allowance for impairment provision | **(1,739)** | (849) |
| | **7,660** | 8,011 |

## 14. Inventories

| | 2021 000's $ | 2020 000's $ |
|---|---|---|
| Raw materials and consumables | **7,216** | 5,089 |
| Work in progress | **5,612** | 9,583 |
| Finished goods | **13,962** | 4,001 |
| | **26,790** | 18,673 |

Write downs of inventories to net realisable value during the year were $ nil.

## 15. Plant and equipment

| | 2021 000's $ | 2020 000's $ |
|---|---|---|
| Plant and equipment | | |
| At cost | **35,776** | 33,690 |
| Accumulated depreciation | **(28,205)** | (25,075) |
| Total plant and equipment | **7,571** | 8,615 |
| Furniture, fixtures and fittings | | |
| At cost | **68** | 64 |
| Accumulated depreciation | **(56)** | (47) |
| Total furniture, fixtures and fittings | **12** | 17 |
| Motor vehicles | | |
| At cost | **130** | 123 |
| Accumulated depreciation | **(103)** | (80) |
| Total motor vehicles | **27** | 43 |
| Leasehold Improvements | | |
| At cost | **190** | 134 |
| Accumulated amortisation | **(185)** | (119) |
| Total leasehold improvements | **5** | 15 |
| **Total plant and equipment** | **7,615** | 8,690 |

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year:

| | Plant and Equipment 000's $ | Furniture, Fixtures and Fittings 000's $ | Motor Vehicles 000's $ | Leasehold Improvements 000's $ | Total 000's $ |
|---|---|---|---|---|---|
| **Year ended 31 December 2021:** | | | | | |
| Balance at the beginning of year | **8,615** | **17** | **43** | **15** | **8,690** |
| Additions | **216** | **-** | **-** | **-** | **216** |
| Depreciation expense | **(1,894)** | **(7)** | **(19)** | **(38)** | **(1,958)** |
| Foreign exchange movements | **634** | **2** | **3** | **28** | **667** |
| Balance at the end of the year | **7,571** | **12** | **27** | **5** | **7,615** |
| **Year ended 31 December 2020:** | | | | | |
| Balance at the beginning of year | 11,037 | 21 | 38 | 75 | 11,171 |
| Additions | 174 | 2 | 22 | - | 198 |
| Depreciation expense | (2,413) | (6) | (16) | (62) | (2,497) |
| Foreign exchange movements | (183) | - | (1) | 2 | (182) |
| **Balance at the end of the year** | 8,615 | 17 | 43 | 15 | 8,690 |

16. Right-of-use assets

| | 2021 000's $ | 2020 000's $ |
|---|---|---|
| Opening balance of the year | **807** | 856 |
| Adjustment on opening balance | **93** | - |
| Amortisation | **(49)** | (49) |
| Ending balance of the year | **851** | 807 |

17. Deferred tax assets

| | 2021 000's $ | 2020 000's $ |
|---|---|---|
| Year ended 31 December 2021: | | |
| Opening balance of the year | **1,045** | **585** |
| Charge to profit or loss | **867** | **589** |
| Exchange difference | **-** | **(129)** |
| Ending balance of the year | **1,912** | **1,045** |

18. Trade and other payables

| | 2021<br>000's<br>$ | 2020<br>000's<br>$ |
|---|---|---|
| CURRENT | | |
| Trade payables | **10,906** | 9,267 |
| Deposits received in advance | **26,611** | 13,175 |
| Other payables | **5,744** | 4,689 |
| | **43,261** | 27,131 |
| NON-CURRENT | | |
| Other payables* | **1,416** | 1,217 |

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

*: The amount represented a loan payable of $1,416, 000 owing to Mr Chuandu Chen, a close family member of Mr Dong Chen (2020: $1,217,000). The payable was unsecured, interest free and with a fixed terms of five years from May 2018.

19. Borrowings

| | 2021<br>000's<br>$ | 2020<br>000's<br>$ |
|---|---|---|
| CURRENT | | |
| Secured liabilities: | | |
| Bank loans | **24,865** | 24,454 |
| NON-CURRENT | | |
| Secured liabilities: | | |
| Bank loans | **-** | 994 |
| Total borrowings | **24,865** | 25,448 |

As at 31 December 2021 borrowings as secured by: (a) Machinery and equipment; (b) Guaranteed by Mr Dong Chen and his close family members; (c) Guaranteed provided by a third party.

Defaults and breaches

During the current and prior year, there were no defaults or breaches on any of the loans.

20. Lease

The group leases property for its manufacture factories. The lease agreement has a fixed term of 3 years with an extension option of further 2 years. The lease agreement does not impose any covenants.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments. Lease payments to be made under the extension option are also included in the measurement of liability.

The lease payments are discounted using the interest rate of a readily observable amortising loan rate. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the payment of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received

Right-of-use assets are depreciated over the lease term on a straight-line basis.

The Group does not have any short-term leases or low-value assets.

The office lease agreement does not contain variable payment terms.

Extension and termination options are included in the office lease agreement. They are used to maximise operational flexibility in terms of managing the office held in the group's operations. The extension and termination options held are exercisable only by the group and not by the lessor.

The group does not provide residual value guarantees in relating to its property lease.

21. Issued capital

| | 2021<br>000's<br>$ | 2020<br>000's<br>$ |
|---|---|---|
| Opening balance | 17,144 | 16,743 |
| Additions | - | 401 |
| Ending balance | 17,144 | 17,144 |
| | No. | No. |
| At the beginning/ending of the reporting period | 101,000,000 | 101,000,000 |

Ordinary Shares

Ordinary shares entitled the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Capital risk management

The Group's objectives when managing capital is to safeguard the ability to continue as a going concern, so that the group can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to achieve this objective, the Group seeks to maintain a capital structure that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues, or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

There have been no other significant changes to the Group's capital management objectives, policies and processes in the year nor has there been any change in what the Group considers to be its capital.

22. Reconciliation of profit/(loss) after income tax to net cash inflow from operating activities:

| | 2021<br>000's<br>$ | 2020<br>000's<br>$ |
|---|---|---|
| Loss for the year | **(7,348)** | (10,282) |
| Cash flows excluded from profit attributable to operating activities | | |
| Non-cash flows in profit: | | |
| - depreciation and amortisation | **1,983** | 2,546 |
| - loss on foreign exchange change | **20** | (77) |
| - loss on disposal of property, plant and equipment | **-** | - |
| - impairment of receivables | **2,960** | 2,016 |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in trade and other receivables | **(3,033)** | 241 |
| - (increase)/decrease in other assets | **371** | 5,771 |
| - (increase)/decrease in inventories | **(6,184)** | 7,394 |
| - increase/(decrease) in trade and other payables | **790** | (5,405) |
| - increase/(decrease) in other payables | **12,034** | 795 |
| Cash flows from operations | **1,593** | 2,999 |

23. Financial risk management

The Group is exposed to a variety of financial risks through its use of financial instruments. The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The most significant financial risks to which the Group is exposed to are described below:

- Liquidity risk
- Credit risk
- Market risk - currency risk, interest rate risk and price risk

The principal categories of financial instrument used by the Group are:

- Trade receivables
- Cash at bank
- Trade and other payables
- Fixed rate bank loans

The Board of Directors have overall responsibility for the establishment of the Group's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and the use of derivatives.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The day-to-day risk management is carried out by the Group's finance function under policies and objectives which have been approved by the Board of Directors. The Chief Executive Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements.

The Board of Directors receives monthly reports which provide details of the effectiveness of the processes and policies in place.

Mitigation strategies for specific risks faced are described below:

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Group maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day period are identified monthly.

At the reporting date, these reports indicate that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down any of the financing facilities.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the consolidated statement of financial position due to the effect of discounting.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

*Trade receivables and contract assets*

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group review includes external ratings, if they are available, financial statements, credit agency information and industry information. Credit limits are established for each customer and the utilisation of credit limits by customers is regularly monitored by line management. Customers who subsequently fail to meet their credit terms are required to make purchases on a prepayment basis until creditworthiness can be re-established.

The key customers individually and the Group's other customers analysed by industry sector as well as a list of customers currently transacting on a prepayment basis or who have balances in excess of their credit limits.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which the customers operate.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

On a geographical basis, the Group has significant credit risk exposures in Australia, the Middle East, Europe and China given the location of its operations in those regions.

The following table details the Group's trade receivables exposure to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between the Group and the customer or counter party to the transaction.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

| | Gross amount 000's $ | Past due and impaired 000's $ | Past due but not impaired 000's $ | Within initial trade terms 000's $ |
|---|---|---|---|---|
| **2021** | | | | |
| Trade receivables | **21,490** | **7,053** | **1,159** | **13,278** |
| Total | **21,490** | **7,053** | **1,159** | **13,278** |
| **2020** | | | | |
| Trade receivables | 17,102 | 3,116 | 5,036 | 8,866 |
| Total | 17,102 | 3,116 | 5,036 | 8,866 |

The Group does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

The other classes of receivables do not contain impaired assets.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

*(i) Foreign exchange risk*

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in Chinese Reminbi and US Dollars.

To mitigate the Group's exposure to foreign currency risk, non-Australian Dollar cash flows are monitored and forward exchange contracts are entered into in accordance with the Group's risk management policies. The policy is to hedge between -% and -% of forecast foreign currency cash flows

Whilst these forward contracts are economic hedges of the cash flow risk, the Group does not apply hedge accounting to these transactions. The implications of this decision are that unrealised foreign exchange gains and losses are recognised in profit and loss in the period in which they occur.

Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

Forward exchange contracts are mainly entered into for significant long term foreign currency exposures that are not expected to be offset by other currency transactions.

In order to monitor the effectiveness of this policy, the Board receives a monthly report showing the settlement date of transactions denominated in non-Australian Dollar currencies and expected cash reserves in that currency.

Foreign currency denominated financial assets and liabilities, translated into Australian Dollars at the closing rate, are as follows:

| | 2021<br>000's<br>$ | 2020<br>000's<br>$ |
|---|---|---|
| Nominal amounts | | |
| Financial assets | **22,844** | **21,939** |
| Financial liabilities | **(69,542)** | **(53,796)** |
| | **(46,698)** | **(31,857)** |

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and financial liabilities and the Renminbi – Australian Dollar exchange rate. There have been no changes in the assumptions calculating this sensitivity from prior years.

It assumes a +/- 8% change of the Australian Dollar / Renminbi exchange rate for the year ended 31 December 2021 (31 December 2020: 8%). These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months.

The average exchange rate of the year was 4.8473 Renminbi.

The sensitivity analysis is based on the foreign currency financial instruments held at the reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates. If the Australian Dollar had strengthened and weakened against the Renminbi (31 December 2020: 8%) and 8% respectively then this would have had the following impact:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **+8%** | **-8%** | **+8%** | **-8%** |
| **RMB** | | | | |
| Net results | **(660)** | **660** | (821) | 821 |
| Equity | **(660)** | **660** | (821) | 821 |

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

*(ii) Interest rate risk*

The Group is exposed to interest rate risk as funds are borrowed at fixed rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At the reporting date, the Group is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates.

| | 2021<br>000's<br>$ | 2020<br>000's<br>$ |
|---|---|---|
| **Fixed rate instruments** | | |
| Borrowings | **24,865** | 25,448 |

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +2.00% and -2.00% (2020: +2.00%/-2.00%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions and economist reports.

The calculations are based on the financial instruments held at each reporting date. All other variables are held constant.

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | +2.00% | -2.00% | +2.00% | -2.00% |
| | $ | $ | $ | $ |
| Net results | **(497,300)** | **497,300** | (508,960) | 508,960 |
| Equity | **(497,300)** | **497,300** | (508,960) | 508,960 |

24. Key management personnel

The Company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in the remuneration report within the Directors' Report. The aggregate compensation made to directors and other key management personnel of the Company and the Group is set out below:

| | 2021<br>000's<br>$ | 2020<br>000's<br>$ |
|---|---|---|
| Short-term employee benefits | **122** | 125 |
| Post-employment benefits | **-** | - |
| | **122** | 125 |

25. Auditors' remuneration

| | 2021<br>000's<br>$ | 2020<br>000's<br>$ |
|---|---|---|
| Remuneration of the auditor MGI Perth Audit Services Pty Ltd, for: | | |
| - Auditing or reviewing the financial statements | **16** | 18 |
| | **16** | 18 |
| Remuneration of other auditors of subsidiaries for: | | |
| - auditing or reviewing the financial statements of subsidiaries | **36** | 36 |
| **Total** | **52** | 54 |

26. Controlled entities

| | Principal place of business / Country of Incorporation | Percentage Owned (%)* 2021 | Percentage Owned (%)* 2020 |
|---|---|---|---|
| **Subsidiaries:** | | | |
| Global Newmat Sdn. Bhd. | Malaysia | **100** | 100 |
| Jiangyin Fuke New Materials Co. Ltd. | China | **100** | 100 |
| Jiangsu Kemao New Materials Technology Co. Ltd. | China | **100** | 100 |

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

27. Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2021 (31 December 2020: None).

28. Related parties

(a) The Group's main related parties are subsidiaries within the group, directors, directors' close family members and companies controlled by directors.

(b) Loans from related parties

Refer to Note 18.

(c) Balances and transactions with related parties

At 31 December 2021, the Group had other receivable of $2,990,000 from Jiangyin Fumao Textile Chemical Fibre Co., Limited, a company controlled by Mr Dong Chen and his close family members (2020: $3,102,000).

At 31 December 2021, the Group had other payable of $104,000 from Jiangyin Hao Days Spirit Import and Export Trade Co., Ltd, a company controlled by Mr Dong Chen and his close family members (2020:$70,000).

At 31 December 2021, the Group had other payable of $65,000 to Mr Jianping Zhou (2020: $60,000).

At 31 December 2021, in addition to the loan payable disclosed in note 18, the Group had payable of $2,922,000 to Mr Chuandu Chen, a close family member of Mr Dong Chen (2020: $2,220,000).

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred and balances with related parties:

| | Sales 000's $ | Purchases 000's $ | Advances to/(from) 000's $ |
|---|---|---|---|
| For the year ended 31 December 2021: | | | |
| Jiangyin Fumao Textile Chemical Fibre Co., Limited | - | - | 2,769 |
| Mr Dong Chen and his close family members | - | - | 21 |
| For the year ended 31 December 2020: | | | |
| Jiangyin Fumao Textile Chemical Fibre Co., Limited | - | - | 1,616 |
| Mr Dong Chen and his close family members | - | - | 100 |

29. Parent entity

The following information has been extracted from the books and records of the parent, Kemao Industries Limited and has been prepared in accordance with Australian Accounting Standards. The financial information for the parent entity, Kemao Industries Limited has been prepared on the same basis as the consolidated financial statements.

| | 2021<br>000's<br>$ | 2020<br>000's<br>$ |
|---|---|---|
| **Consolidated Statement of Financial Position** | | |
| Assets | | |
| Current assets | **58** | 210 |
| Non-current assets | **6,820** | 6,803 |
| Total Assets | **6,878** | 7,013 |
| Liabilities | | |
| Current liabilities | **44** | 22 |
| Total Liabilities | **44** | 22 |
| Equity | | |
| Issued capital | **7,202** | 7,301 |
| Retained earnings | **(368)** | (310) |
| Total Equity | **6,834** | 6,991 |
| **Consolidated Statement of Profit or Loss and Other Comprehensive Income** | | |
| Revenue for the year | **-** | - |
| Total loss for the year | **(156)** | (203) |
| **Total comprehensive expense for the year** | **(156)** | (203) |

30. Events occurring after reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations, the results of those operations, or the state of affairs of the Company in future financial years.

**Kemao Industries Limited**

**Directors' Declaration**

The directors of the Company declare that:

1. The financial statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash flows, Consolidated Statement of Changes in Equity and accompanying notes are in accordance with the *Corporations Act 2001*, including:

    (a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

    (b) giving a true and fair view of the financial position as at 31 December 2021 and of the performance for the year ended on that date of the consolidated entity.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The directors have been given the declarations by the Chief Executive Officer as required by section 295A of the *Corporations Act 2001*.

4. The consolidated entity has included in the notes to the financial statements an unreserved and explicit statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Director ..................................................................

Lam, Long Huy

Dated this: 30 March 2022

MGI Perth Audit Services Pty Ltd
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# INDEPENDENT AUDITOR'S REPORT
# TO THE MEMBERS OF KEMAO INDUSTRIES LIMITED
# FOR THE YEAR ENDED 31 DECEMBER 2021

## Report on the Audit of the Financial Report

### Opinion

We have audited the accompanying financial report of Kemao Industries Limited and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration of the consolidated entity comprising Kemao Industries Limited and the entities it controlled at the year's end or from time to time during the year.

In our opinion, the accompanying financial report of Kemao Industries Limited and its Controlled Entities, is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(c) the financial report also complies with the *International Financial Reporting Standards* as disclosed in Note 1.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of Kemao Industries Limited in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Kemao Industries Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Group incurred a net loss of $7.2 million during the year ended 31 December 2021, and, as of that date, the Group has accumulated losses of $20.3 million as a result of losses sustained over the years and its current liabilities exceeded its current assets by $10.8 million. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How Our Audit Addressed the Key Audit Matter |
|---|---|
| *Audit Strategy for Overseas Operations* | |
| The Group's structure comprises largely of trading operations in China. Component auditors were engaged to audit Jiangsu Kemao New Materials Technology Co. Ltd. Co-ordination between ourselves as the lead auditors and the component auditors was crucial to ensuring the audit plan could be executed effectively and in a timely manner. | Our procedures included, but were not limited to:<br><br>Understanding the operations of trading subsidiaries, including their operating locations and the environment in which they operate.<br><br>Engaging with component auditor to complete audit of the material operations located in China.<br><br>Assessing whether the component auditor has sufficient skills and competence to conduct the audit of trading components within the Group.<br><br>Providing detailed group audit instructions agreed with the component auditor to ensure alignment in our audit approach and to capture relevant information required for our audit of the Group.<br><br>Perform a detailed review of the component auditors work papers to ensure appropriate audit procedures had been carried out and sufficient appropriate audit evidence had been obtained. Where any work was deemed deficient in this mitigate any deemed deficiencies. |

| Key Audit Matter | How Our Audit Addressed the Key Audit Matter |
|---|---|
| *Revenue Recognition* | |
| The Group's main source of revenue is from the manufacture of tin and related products. Revenue recognition was identified as a key audit matter due to the significance of revenue to the financial report and the judgement required in assessing whether the application of AASB 15 Revenue from Contract with Customers has been correctly applied. | We assessed the accounting policy for revenue recognition for compliance with the accounting standards and performed testing to ensure that revenue had been accounted for in accordance with the accounting policy.<br><br>We found that the accounting policies implemented were in accordance with the accounting standards, and that revenue has been accounted for in accordance with the accounting policy.<br><br>We performed substantive tests on revenue by tracing sales transactions through to relevant supporting documentation.<br><br>Evaluated the occurrence of sales revenue by seeking direct confirmation from a number of the Group's customers.<br><br>Performed analytical procedures on revenue, cost of sales and gross profit percentages both within the audit period and between years to identify trends and assess whether these are in accordance with our expectations and understanding of the Group.<br><br>No material differences were identified. |

**Other Information**

The directors of Kemao Industries Limited are responsible for the other information. The other information comprises the information in the annual report for the year ended 31 December 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

**Responsibilities of the Directors for the Financial Report**

The directors of Kemao Industries Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the financial statements comply with *International Financial Reporting Standards*.

In preparing the financial report, the directors are 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 directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included on pages 19 to 22 of the directors' report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of Kemao Industries Limited for the year ended 31 December 2021, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The directors of Kemao Industries Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**Matters relating to the electronic presentation of the audited financial report**

This auditor's report relates to the financial report of Kemao Industries Limited and Controlled Entities for the year ended 31 December 2021 included on Kemao Industries Limited's website. The directors of the Company are responsible for the integrity Kemao Industries Limited's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

MGI Perth

**Name of Firm:** MGI Perth Audit Services Pty Ltd

Chartered Accountants

**Name of Auditor:** ______________________

Clayton Lawrence

**Address:** Level 1, 322 Hay Street, Subiaco, Western Australia

**Dated this** 30th day of March 2022

## ADDITIONAL INFORMATION

### SUBSTANTIAL SHAREHOLDERS

There were two substantial shareholders as at 25 March 2022:

i. Dong Chen holds 55,460,00 ordinary shares, or 54.91% of the voting rights in the Company;
ii. Fang Chen holds 10,000,000 ordinary shares, or 9.9% of the voting rights in the Company.

### ISSUED SECURITIES

| **Quoted Securities** NSX Code | Number of Holders | Security Description | Total Securities |
|---|---|---|---|
| KEM | 146 | Ordinary Fully Paid | 101,000,000 |

### VOTING RIGHTS

Shareholders are entitled to one vote for each share held. On a show of hands every shareholderpresent in person or by proxy shall have one vote and upon a poll, every shareholder so present shall have one vote for every share held.

### DISTRIBUTION SCHEDULE

| **Spread of Holdings** | **Ordinary Shares (KEM)** | **units** | **%** |
|---|---|---|---|
| 1-1,000 | - | - | - |
| 1,001 – 5,000 | 2 | 5,350 | 0 |
| 5,001-10,000 | 4 | 33,840 | 0.03 |
| 10,001-100,000 | 86 | 5,330,110 | 5.28 |
| Over 100,000 | 54 | 95,630,700 | 94.68 |
| **TOTAL HOLDERS** | 146 | 101,000,000 | 100% |

### UNMARKETABLE PARCELS

As at 25 March 2022 there were no shareholders holding less than a marketable parcel of shares.

### BUY-BACK

There is no current on-market buy-back.

## 20 LARGEST SHAREHOLDERS

The names of the twenty largest shareholders (NSX Code: KEM) are listed below:

| Name | Number of Ordinary Shares | % of Issued Securities |
|---|---|---|
| 1. Dong Chen | 55,460,000 | 54.91 |
| 2. Fang Chen | 10,000,000 | 9.9 |
| 3. Jiangnan Xu | 3,200,000 | 3.17 |
| 4. Kaifeng Gu | 3,000,000 | 2.97 |
| 5. Jiang Jie | 2,000,000 | 1.98 |
| 6. Huang Tian | 1,800,000 | 1.78 |
| 7. Chunxiao Fan | 1,550,000 | 1.53 |
| 8. Dehong Zhou | 1,200,000 | 1.19 |
| 9. Jifa Xia | 1,000,000 | 0.99 |
| 10. Wei Chen | 1,000,000 | 0.99 |
| 11. Yan Lu | 1,000,000 | 0.99 |
| 12. Jianding Zhou | 1,000,000 | 0.99 |
| 13. Wenzhen Xu | 1,000,000 | 0.99 |
| 14. Wei Xu | 1,000,000 | 0.99 |
| 15. Qin Lu | 800,000 | 0.79 |
| 16. Weiqing Jiang | 600,000 | 0.59 |
| 17. Xuelong Wang | 550,000 | 0.54 |
| 18. Ruiying Zhao | 500,000 | 0.50 |
| 19. Jiangang Gu | 500,000 | 0.50 |
| 20. Jufen Jiang | 500,000 | 0.50 |
| Total | 87,660,000 | 86.79% |