



# **Kemao Industries Limited**

**ACN 625 928 216**

**Annual Report - 31 December 2024**



Directors	Dong Chen, Managing Director Fang Chen, Executive Director Xuekun Li, Non-Executive Director
Company secretary	Xuekun Li
Registered office in Australia Principal place of business (Australia)	Office 20 217 Hay Street Subiaco WA6008 Email: info@kmggroup.cn
Principal place of business (China)	No 5 Songwentou Road Yunting Town, Jiangyin City Jiangsu Province 21422 China Tel: +86 510 6882 6922
Share registry	Automatic Pty Ltd Level 5, 126 Philip Street Sydney NSW 2000 Tel: + 1300 288 664 (within Australia) Tel: + 61 2 9698 5414 (outside Australia)
Auditor	Hall Chadwick Audit (WA) Pty Ltd 283 Rokeby Road Subiaco WA6008
Stock exchange listing	Kemao Industries Limited shares are listed on the National Stock Exchange of Australia (NSX code: KEM)
Website	<a href="http://www.kemao-tinplate.com">www.kemao-tinplate.com</a>



## **REVIEW OF OPERATIONS – 2024**

In 2024, KEM Industries achieved a major milestone with the successful completion of a transformative technical upgrade across all production lines — a strategic investment in the Group’s long-term growth and competitiveness. Rather than simply replacing aging equipment, this comprehensive modernisation program was designed to elevate the Company’s manufacturing capabilities to new standards of efficiency, innovation, and adaptability.

While temporary production suspensions were necessary to facilitate the upgrade — as anticipated — the process also presented a range of unforeseen challenges. These were met with determination and resilience, and KEM’s team worked diligently to deliver the transformation in full. The completion of this ambitious project marks a significant leap forward in the Company’s operational strength.

As expected, the temporary disruption to operations resulted in a reduction in production capacity, which in turn impacted sales and profitability for the year. However, KEM approached this transitional period with a long-term view, remaining firmly committed to the strategic importance of the upgrade. The Company is confident that this investment will deliver sustainable benefits, including enhanced productivity, cost efficiency, and a stronger market position.

Despite broader headwinds — including economic softness in China and ongoing global uncertainty — KEM has maintained its standing as a resilient and trusted manufacturer. The successful transformation further reinforces the Company’s foundation for future growth, equipping it to respond proactively to market challenges and seize new opportunities in a dynamic global landscape.

The transformation program delivered several key improvements:

### Enhanced Efficiency:

By streamlining manufacturing processes and integrating automation, operational efficiency has significantly increased, reducing reliance on manual labor and optimizing production workflows.

### Improved Productivity:

The introduction of advanced equipment and cutting-edge tools has bolstered productivity, allowing KEM to scale operations and meet market demand more effectively.

### Cost Reduction:

Significant savings have been achieved in repair and maintenance expenditures, as well as material waste reduction, further strengthening KEM’s cost management and resource utilization.

### Sales Growth Potential:

With a modernized production system, KEM is now better positioned to develop innovative and high-quality products, broadening its market reach and enhancing revenue-generation opportunities.

While the initial investment in the transformation program was substantial, and the short-term performance suffered due to reduced production and sales, the long-term benefits are expected to far outweigh these costs. The modernization of production facilities has not only improved operational resilience but has also laid a strong foundation for sustainable growth, ensuring KEM remains competitive and well-equipped to navigate future industry challenges.



The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Kemao Industries Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2024.

## **Directors**

The following persons were directors of Kemao Industries Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Dong Chen, Managing Director  
 Ms Fang Chen, Executive Director  
 Ms Xuekun Li, Non-Executive Director  
 Mr Long Huy Lam, Non-Executive Director (resigned 1 June 2024)

## **Information on directors**

**Name:** Dong Chen  
**Title:** Managing Director, Executive Chairman  
**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 20 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.  
**Other current directorships:** None.  
**Former directorships (last 3 years):** None.  
**Interests in shares:** 58,820,000

**Name:** Fang Chen  
**Title:** 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.  
**Other current directorships:** None.  
**Former directorships (last 3 years):** None.  
**Interests in shares:** 11,930,000

**Name:** Xuekun Li  
**Title:** Non-Executive Director  
**Experience and expertise:** Ms Li, ACCA, ACIS, is a Non-Executive director and the Company Secretary. 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 consulting company to provide financial and corporate services to a wide range of businesses.  
**Other current directorships:** None.  
**Former directorships (last 3 years):** None.  
**Interests in shares:** Nil.



Name:	Long Huy Lam
Title:	
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.
Other current directorships:	None.
Former directorships (last 3 years):	None.
Interests in shares:	Nil.

#### **Company secretary**

Xuekun Li

#### **Principal activities**

The principal activities of the Group during the financial year were the manufacture and distribution of electrolytic tinplate products.

#### **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 AUD163 million in 2024 (2023: AUD181 million), representing a 10% decrease from the previous year due to the necessary operational suspension and disruption associated with the technology equipment upgrade.

The loss for the Group after providing for income tax amounted to \$11,088,000 (31 December 2023: \$1,915,000).

#### **Dividends**

There were no dividends paid, recommended or declared during the current or previous financial year.

#### **Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the Group during the financial year.

#### **Matters subsequent to the end of the financial year**

No matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

#### **Likely developments and expected results of operations**

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

#### **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.

#### **Shares under option**

At 31 December 2024, there were no shares under option (31 December 2023: Nil).

#### **Environmental regulation**

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

The Group's Chinese operating subsidiary is subject to regulations under the relevant Chinese environmental law. The Group's manufacturing operations have complied with Chinese environmental laws and regulations.



### **Meetings of directors**

There were no meetings of the company's Board of Directors ('the Board') held during the year ended 31 December 2024. There were four circular resolutions approved by the Board during the year.

### **Remuneration report (audited)**

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Additional information
- Additional disclosures relating to key management personnel

#### ***Principles used to determine the nature and amount of remuneration***

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:

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.

#### ***Executive remuneration***

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives

The combination of these comprises the executive's total remuneration.

#### ***Voting and comments made at the company's 18 July 2024 Annual General Meeting ('AGM')***

At the 2024 AGM, 100% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2023. The company did not receive any specific feedback at the AGM regarding its remuneration practices.



### **Details of remuneration**

#### *Amounts of remuneration*

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following directors of Kemao Industries Limited:

- Mr Dong Chen
- Ms Fang Chen
- Ms Xuekun Li
- Mr Long Huy Lam (resigned 1 June 2024)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
2024	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Xuekun Li	10,000	-	-	-	-	-	10,000
Long Huy Lam	5,000	-	-	-	-	-	5,000
<i>Executive Directors:</i>							
Dong Chen	32,725	-	-	-	-	-	32,725
Fang Chen	33,736	-	-	-	-	-	33,736
	<u>81,461</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,461</u>

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
2023	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Xuekun Li	20,000	-	-	-	-	-	20,000
Long Huy Lam	24,000	-	-	-	-	-	24,000
<i>Executive Directors:</i>							
Dong Chen	70,777	-	-	-	-	-	70,777
Fang Chen	70,777	-	-	-	-	-	70,777
	<u>185,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,554</u>

### **Service agreements**

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Dong Chen
Title:	Managing Director, Executive Chairman
Term of agreement:	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. Mr Chen agreed to waive his director's fee for the year ended 31 December 2024. Mr Chen also received salary for acting as the General Manager of Jiangsu Kemao New Materials Technology Co. Ltd.



Name: Fang Chen  
 Title: Executive Director  
 Term of agreement: 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. Ms Chen agreed to waive her director's fee for the year ended 31 December 2024. Ms Chen also received salary for acting as the Sales Manager of Jiangsu Kemao New Materials Technology Co. Ltd.

Name: Xuekun Li  
 Title: Non-Executive Director  
 Term of agreement: On 2 March 2021, Ms Li was appointed as a Non-Executive Director. According to a letter of appointment, Ms Li is entitled to receive a director's fee of \$20,000 per annum as per the appointment letter. Ms Li agreed to reduce her director's fee to \$10,000 per annum for the year ended 31 December 2024.

Name: Long Huy Lam  
 Title: Non-Executive Director  
 Term of agreement: According to a letter of appointment, Mr Lam is entitled to receive a director's fee of \$24,000 per annum. Mr Lam agreed to reduce his director's fee to \$12,000 per annum for the year ended 31 December 2024.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

### ***Share-based compensation***

#### ***Issue of shares***

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 31 December 2024.

### ***Additional information***

The earnings of the Group for the five years to 31 December 2024 are summarised below:

	2024 \$'000	2023 \$'000	2022 \$'000	2021 \$'000	2020 \$'000
Results	(12,088)	(1,862)	1,114	(7,239)	(10,003)
Assets	69,603	56,584	60,604	67,672	59,165
Liabilities	84,309	59,202	61,360	69,542	53,796
Profit/(loss) after income tax	(11,419)	(1,915)	1,190	(7,348)	(10,282)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2024	2023	2022	2021	2020
Share price at financial year end (\$)	0.57	0.57	0.57	0.55	0.55





**Additional disclosures relating to key management personnel**

**Shareholding**

The number of shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Dong Chen*	57,150,000	-	1,060,000	-	58,210,000
Fang Chen	11,830,000	-	100,000	-	11,930,000
Xuekun Li	-	-	-	-	-
Long Huy Lam	-	-	-	-	-
	68,980,000	-	1,160,000	-	70,140,000

\*: Mr Dong Chen acquired shares through off-market transactions. Subsequent to the year-end, Mr Dong Chen additionally acquired 610,000 shares through off-market transactions.

***This concludes the remuneration report, which has been audited.***

**Indemnity and insurance of officers**

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

**Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

**Non-audit services**

There were no non-audit services provided during the financial year by the auditor.

**Rounding of amounts**

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

  
\_\_\_\_\_  
Dong Chen, Director  
12 June 2025



## 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.

### Principle 1: Lay solid foundations for management and oversight

#### 1.1 A listed entity should have and disclose a board charter setting out:

- (a) The respective roles and responsibilities of its board and management; and
- (b) Those matters expressly reserved to the board and those delegated to management.

Yes. 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:

- (a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and
- (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.

Yes. The Company's board charter sets out the processes to appoint or remove a Director.

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.

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.

Ms Xuekun Li and Ms Fang Chen retired by rotation in 2023 and were re-elected at the 2024 AGM. Details of their respective skills and experience were outlined in the Notice of Annual General Meeting 2024. The Board considered that their experience and skills complements and strengthens the Board's existing skills and experience. The re-election of Ms Li and Ms Chen 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.

Yes. 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.

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.



*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.*

Yes. Ms Xuekun LI, the Company Secretary was appointed on 28 May 2019 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:*

- (a) have and disclose a diversity policy;*
- (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*
- (c) disclose in relation to each reporting period:*
  - (1) the measurable objectives set for that period to achieve gender diversity;*
  - (2) the entity's progress towards achieving those objectives; and*
  - (3) either:*
    - (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*
    - (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.*

No. 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 of developing its business rather than focusing on gender and other diversity factors. The Board currently consists of two female directors and two male directors.

*1.6 - A listed entity should:*

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and*
- (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.*

No. The Company does not have a Nomination and Remuneration Committee. Given the size and the structure of the business, the Board takes full responsibility of the Board's performance.

*1.7 - A listed entity should:*

- (a) have and disclose a process for periodically evaluating the performance of its senior executives at least once every reporting period; and*
- (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.*

Yes. The Company has a formal process to evaluate the performance of its senior executives. The Executive Directors review the performance of the senior management with performance targets according to their job responsibilities. Evaluation meetings are held at least 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**

### *2.1 - The board of a listed entity should:*

*(a) have a nomination committee;*

*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.*

No. The Board does not have a remuneration and nomination committee. The Board undertakes the process of reviewing the skill base and experience of existing Directors to enable identification of 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.*

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

	LAM Long Huy (Bill) (resigned on 31 May 2024)	CHEN Dong	CHEN Fang	LI Xuekun
Corporate governance	✓			✓
General and administrative management		✓	✓	
Sales and marketing		✓	✓	
Risk management	✓			✓
Financial management	✓	✓		✓
Entrepreneurship		✓		

### *2.3 & 2.4 - A listed entity should disclose:*

*(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.*

No. As of the date of this corporate governance statement, the Board comprises of one Non-Executive Directors and two Executive Directors. Ms LI Xuekun, is considered as an independent director as she is 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.

INP Perth Pty Ltd, a company of which Ms Xuekun Li is a director, provides company secretarial services and accounting services to the Company. Considering the total fee paid to INP Perth Pty Ltd is not a material amount, the Board considers Ms Xuekun Li to be an independent director.

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.*



No. Since Mr LAM Long Huy (Bill)'s resignation on 31 May 2024, Mr CHEN Dong has been acting as the Chairman of the Board until a suitable replacement is found. MR CHEN Dong is a substantial shareholder of the Company.

*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.*

Yes. 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.*

Yes. The Company's goal is to develop to be a leading 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.*

Yes. 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.*

No. 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.*

No. 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.*

Yes. The Company does not have an audit committee. The Board takes full responsibility to maintain safeguard integrity in corporate reporting, including consulting external auditor, adopting prudent accounting policy, closely monitoring business and finance risks.

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.*

Yes. 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 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.*

Yes. 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 rich knowledge and experience in corporate governance.

#### 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.*

Yes. 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.*

Yes. 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 NSX Market Announcements Platform ahead of the presentation.*

Not applicable. 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.*



Yes. The Company maintains a company website ([www.kemao-tinplate.com](http://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.*

Yes. 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.*

Yes. 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.*

Yes. All resolutions at the 2024 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.*

Yes. 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 security registry electronically.

## **Principle 7: Recognise and manage risk**

*7.1 - The board of a listed entity should:*

- (a) have a committee or committees to oversee risk;*
- (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.*

Yes. The Company does not have a risk management committee. The Board takes full responsibility to oversee the risk management for the Group, 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. The Company's risk assessment is disclosed in its annual report.

*7.2 - The board or a committee of the board should:*

- (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*
- (b) disclose, in relation to each reporting period, whether such a review has taken place.*

Yes. The board reviews the entity's risk management framework during the daily operation.



7.3 - A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or
- (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.

No. The Company does not have an internal audit function. 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.

Yes. 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 Australian economic, environmental or social sustainability risks.

The Group's Chinese operating subsidiary is subject to regulations under the relevant Chinese environmental law. The Group's manufacturing operations have complied with Chinese environmental laws and regulations.

#### **Principle 8: Remunerate fairly and responsibly**

8.1 & 8.2 - The board of a listed entity should:

- (a) have a remuneration committee;
- (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.
- (c) 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.

No. The Company does not have a remuneration and nomination committee.

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.

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.

Not applicable. 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.*

Yes. All directors can speak Mandarin. 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.*

Yes. Most of the Company's shareholders are based in China. The Company holds its General Meeting in a place where is convenient place to most of the Company's shareholders.

*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.*

Not applicable.

To the Board of Directors,

## AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As audit partner for the audit of the financial statements of Kemao Industries Limited and its controlled entities for the year ended 31 December 2024, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.



**HALL CHADWICK AUDIT (WA) PTY LTD**  
**ABN 42 163 529 682**



**NIKKI SHEN CA**  
**Director**

Dated this 12 June 2025  
Perth, Western Australia



Consolidated statement of profit or loss and other comprehensive income	19
Consolidated statement of financial position	20
Consolidated statement of changes in equity	21
Consolidated statement of cash flows	22
Notes to the consolidated financial statements	23
Consolidated entity disclosure statement	42
Directors' declaration	43
Independent auditor's report to the members of Kemao Industries Limited	44
Additional information	49

## **General information**

The financial statements cover Kemao Industries Limited as a Group consisting of Kemao Industries Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Kemao Industries Limited's functional and presentation currency.

Kemao Industries Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

### **Registered office**

Office 20, 217 Hay Street  
Subiaco WA6008

### **Principal place of business**

No 5 Songwentou Road  
Yunting Town, Jiangyin City  
Jiangsu Province 214422 China

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 May 2025. The directors have the power to amend and reissue the financial statements.

**Kemao Industries Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2024**



		<b>Consolidated</b>	
	<b>Note</b>	<b>2024</b>	<b>2023</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>			
Sales		163,399	181,758
Cost of sales		(168,870)	(179,928)
Gross profit		(5,471)	1,830
Other income	4	8,698	8,853
<b>Expenses</b>			
Depreciation and amortisation expense		(584)	(480)
Impairment of trade and other receivables		(1,572)	(315)
Write-down of inventory		(733)	-
Provision for raw materials		(332)	-
Research and development expenses		(5,654)	(5,319)
Finance costs		(2,020)	(1,647)
Administration		(3,420)	(4,005)
<b>Loss before income tax expense</b>		(11,088)	(1,083)
Income tax expense	5	-	(832)
<b>Loss after income tax expense for the year attributable to the owners of Kemao Industries Limited</b>		(11,088)	(1,915)
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(669)	53
Other comprehensive income/(loss) for the year, net of tax		(669)	53
<b>Total comprehensive loss for the year attributable to the owners of Kemao Industries Limited</b>		(11,757)	(1,862)
		<b>Cents</b>	<b>Cents</b>
Basic loss per share	20	(10.98)	(1.90)
Diluted loss per share	20	(10.98)	(1.90)

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*



		<b>Consolidated</b>	
	<b>Note</b>	<b>2024</b>	<b>2023</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	1,993	5,774
Bank deposits	7	6,489	7,364
Trade and other receivables	8	20,060	16,523
Inventories	9	23,359	19,435
Total current assets		<u>51,901</u>	<u>49,096</u>
<b>Non-current assets</b>			
Property, plant and equipment	10	17,246	6,728
Right-of-use assets	11	786	760
Total non-current assets		<u>18,032</u>	<u>7,488</u>
<b>Total assets</b>		<u>69,933</u>	<u>56,584</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	12	38,075	31,601
Borrowings	13	37,027	24,448
Lease liabilities	14	1,578	-
Total current liabilities		<u>76,680</u>	<u>56,049</u>
<b>Non-current liabilities</b>			
Payables	12	1,475	2,072
Borrowings	16	5,885	1,081
Lease liabilities	17	268	-
Total non-current liabilities		<u>7,628</u>	<u>3,153</u>
<b>Total liabilities</b>		<u>84,308</u>	<u>59,202</u>
<b>Net liabilities</b>		<u>(14,375)</u>	<u>(2,618)</u>
<b>Equity</b>			
Issued capital	18	17,144	17,144
Reserves	19	571	1,240
Accumulated losses		<u>(32,090)</u>	<u>(21,002)</u>
<b>Total deficiency in equity</b>		<u>(14,375)</u>	<u>(2,618)</u>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes*

**Kemao Industries Limited**  
**Consolidated statement of changes in equity**  
**For the year ended 31 December 2024**



<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total deficiency in equity \$'000</b>
Balance at 1 January 2023	17,144	1,187	(19,087)	(756)
Loss after income tax expense for the year	-	-	(1,915)	(1,915)
Other comprehensive income for the year, net of tax	-	53	-	53
Total comprehensive income/(loss) for the year	-	53	(1,915)	(1,862)
Balance at 31 December 2023	17,144	1,240	(21,002)	(2,618)

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total deficiency in equity \$'000</b>
Balance at 1 January 2024	17,144	1,240	(21,002)	(2,618)
Loss after income tax expense for the year	-	-	(11,088)	(11,088)
Other comprehensive loss for the year, net of tax	-	(669)	-	(669)
Total comprehensive loss for the year	-	(669)	(11,088)	(11,757)
Balance at 31 December 2024	17,144	571	(32,090)	(14,375)

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes*



	Note	Consolidated	
		2024 \$'000	2023 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		167,902	195,646
Payments to suppliers		(177,694)	(192,279)
Interest received		76	111
Interest and other finance costs paid		(1,880)	(1,543)
Net cash from/(used in) operating activities	23	(11,596)	1,935
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	10	(10,468)	(1,748)
Change in security bank deposits		1,331	(4,883)
Net cash used in investing activities		(9,137)	(6,631)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		41,769	27,482
Repayment of borrowings		(25,010)	(22,745)
Net cash from financing activities		16,759	4,737
Net increase/(decrease) in cash and cash equivalents		(3,974)	41
Cash and cash equivalents at the beginning of the financial year		5,774	6,134
Effects of exchange rate changes on cash and cash equivalents		193	(401)
Cash and cash equivalents at the end of the financial year	6	1,993	5,774

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes*



## **Note 1. Material accounting policy information**

The accounting policies that are material to the Group are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

### **New or amended Accounting Standards and Interpretations adopted**

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### **Going concern**

The Group incurred a net loss of \$11.09 million for the year ended 31 December 2024 (2023: loss of \$1.92 million). As at 31 December 2024 the Group had net liabilities of \$14.38 million (31 December 2023: net liabilities of \$2.6 million) and a working capital deficiency of \$24.8 million (31 December 2023: deficiency of \$6.9 million). The ability of the Group to meet its obligations is therefore dependent on the continuous financial support from its major shareholders, viable positive business performance in the foreseeable future 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 next 12 months. These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial report has been prepared on the going concern basis which contemplates the continuity of normal business activity, the realisation of assets and the settlement of liabilities in the ordinary course of business.

The ability of the Group to continue as a going concern is principally dependent on additional borrowing and managing costs in line with available funds. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Group to continue as a going concern.

The directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the Directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Group's history of raising capital to date, the directors are confident of the Group's ability to raise additional funds as and when they are required.

- The Company has received confirmation that the respective related parties will not demand payment of total liabilities of about RMB21.2 million (equivalent AUD\$4.7 million until such time it is able to do so;
- Subsequent to the year-end, the Company repaid around RMB88.9 million of its due borrowings in accordance with its repayment terms and has maintained a good credit record.
- Subsequent to the year-end, new loans of around RMB80 million were obtained with expiry term of one year.
- The Company's major shareholder, Mr Dong Chen, has confirmed he will provide financial support to KEM Group in case of its financial difficulties and if necessary, invest additional funds essential to ensure KEM Group will continue as a going concern for the next 12 months from the date of this letter.

Should the Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').





**Note 1. Material accounting policy information (continued)**

*Historical cost convention*

The financial statements have been prepared under the historical cost convention.

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

*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.

**Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 26.

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kemao Industries Limited ('company' or 'parent entity') as at 31 December 2024 and the results of all subsidiaries for the year then ended. Kemao Industries Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**Foreign currency translation**

The financial statements are presented in Australian dollars, which is Kemao Industries Limited's functional and presentation currency.

*Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

*Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.



**Note 1. Material accounting policy information (continued)**

**Revenue recognition**

The Group recognises revenue as follows:

*Sale of goods*

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

*Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

**Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

**Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

**Inventories**

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.



## Note 1. Material accounting policy information (continued)

### Other financial assets

Other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

#### *Financial assets at amortised cost*

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

### Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Leasehold improvements	3-10 years
Plant and equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

### Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.



## **Note 1. Material accounting policy information (continued)**

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### **Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

### **Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

### **Employee benefits**

#### *Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulating sick leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

### **Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

### **Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.



## Note 1. Material accounting policy information (continued)

### Earnings per share

#### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Kemao Industries Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

### Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2024. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

## Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

#### *Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

#### *Provision for impairment of inventories*

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

#### *Estimation of useful lives of assets*

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

#### *Income tax*

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

## Note 3. Operating segments

#### *Identification of reportable 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.



**Note 3. Operating segments (continued)**

*Geographical information*

	Sales to external customers		Geographical non-current assets	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
China	156,234	150,287	18,032	7,488
Overseas	7,165	31,471	-	-
	<u>163,399</u>	<u>181,758</u>	<u>18,032</u>	<u>7,488</u>

**Note 4. Other income**

	Consolidated	
	2024 \$'000	2023 \$'000
Sales of scrap materials	6,567	7,049
Net gain on disposal of property, plant and equipment	212	-
Net foreign exchange gain	373	300
Interest income	146	112
Others	<u>1,400</u>	<u>1,392</u>
Other income	<u>8,698</u>	<u>8,853</u>

**Note 5. Income tax expense**

	Consolidated	
	2024 \$'000	2023 \$'000
<i>Income tax expense</i>		
Current tax	-	-
Deferred tax - origination and reversal of temporary differences	-	-
Adjustment recognised for prior periods	<u>-</u>	<u>832</u>
Aggregate income tax expense	<u>-</u>	<u>832</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	<u>(11,088)</u>	<u>(1,083)</u>
Tax at the statutory tax rate of 30%	(3,326)	(325)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Effect of losses not recognised in the consolidated statement of profit or loss and other comprehensive income	-	325
Deferred tax assets not recognised	<u>3,326</u>	<u>-</u>
Adjustment recognised for prior periods	<u>-</u>	<u>832</u>
Income tax expense	<u>-</u>	<u>832</u>



#### Note 5. Income tax expense (continued)

The deferred tax assets on losses in Australia and China have not been recognised as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised. At reporting date, group has unrecognised losses of AUD21.8 million.

#### Note 6. Cash and cash equivalents

	Consolidated	
	2024	2023
	\$'000	\$'000
Cash at bank	1,993	5,774

#### Note 7. Bank deposits

	Consolidated	
	2024	2023
	\$'000	\$'000
Security deposits	4,285	7,364
Term deposits	2,204	-
	6,489	7,364

Security deposits represented deposits for bank guarantees.

#### Note 8. Trade and other receivables

	Consolidated	
	2024	2023
	\$'000	\$'000
Trade receivables	9,211	10,347
Less: Allowance for expected credit losses	(2,999)	(6,217)
	6,212	4,130
Advanced payments	11,534	11,970
Less: Allowance for expected credit losses	(2,185)	(1,940)
	9,349	10,030
Other receivables	3,102	3,002
Less: Allowance for expected credit losses	(828)	(739)
	2,274	2,263
Receivable from related parties *	2,214	97
BAS receivable	11	3
	20,060	16,523

\* : Receivables from related parties are interest free and without fixed repayment terms.

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.



**Note 8. Trade and other receivables (continued)**

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

*Allowance for expected credit losses*

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2024 %	2023 %	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
<b>Consolidated</b>						
Aged within 1 year	2%	2%	15,413	15,952	308	319
Aged 1-2 years	10%	10%	2,427	745	243	75
Aged 2-3 years	30%	30%	780	172	234	52
Aged more than 3 years	100%	100%	5,227	8,450	5,227	8,450
			<u>23,847</u>	<u>25,319</u>	<u>6,012</u>	<u>8,896</u>

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2024 \$'000	2023 \$'000
Opening balance	8,896	9,174
Unused amounts reversed	(2,884)	(278)
Closing balance	<u>6,012</u>	<u>8,896</u>

**Note 9. Inventories**

	Consolidated	
	2024 \$'000	2023 \$'000
Raw materials - at cost	4,635	7,342
Less: Provision for stock obsolescence	(596)	-
	<u>4,039</u>	<u>7,342</u>
Work in progress - at cost	<u>2,994</u>	<u>2,177</u>
Finished goods - at net realisable value	<u>16,326</u>	<u>9,916</u>
	<u>23,359</u>	<u>19,435</u>

During the period, the Company wrote down \$732,000 of its finished goods to their net realisable value. (2023: nil).





**Note 10. Property, plant and equipment**

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Land and buildings - at cost	1,405	1,313
Less: Accumulated depreciation	(50)	(4)
	<u>1,355</u>	<u>1,309</u>
Plant and equipment - at cost	46,554	34,705
Less: Accumulated depreciation	(30,690)	(29,401)
	<u>15,864</u>	<u>5,304</u>
Fixtures and fittings - at cost	69	65
Less: Accumulated depreciation	(63)	(59)
	<u>6</u>	<u>6</u>
Motor vehicles - at cost	133	231
Less: Accumulated depreciation	(112)	(122)
	<u>21</u>	<u>109</u>
	<u>17,246</u>	<u>6,728</u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Buildings</b>	<b>Plant and</b>	<b>Furniture</b>	<b>Motor vehicles</b>	<b>Total</b>
	<b>\$'000</b>	<b>equipment</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 January 2023	-	6,224	54	19	6,297
Additions	1,310	332	-	106	1,748
Exchange differences	3	(137)	(47)	-	(181)
Depreciation expense	(4)	(1,115)	(1)	(16)	(1,136)
Balance at 31 December 2023	1,309	5,304	6	109	6,728
Additions	-	10,468	-	-	10,468
Disposals	-	(93)	-	(86)	(179)
Exchange differences	90	1,222	1	2	1,315
Depreciation expense	(44)	(1,037)	(1)	(4)	(1,086)
Balance at 31 December 2024	<u>1,355</u>	<u>15,864</u>	<u>6</u>	<u>21</u>	<u>17,246</u>

As at 31 December 2024, certain machinery and equipment with carrying amount of RMB9.5 million (2023: 10.05 million) were charged as securities for borrowings granted to the Group.



**Note 11. Right-of-use assets**

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Buildings - right-of-use	1,139	1,139
Less: Accumulated depreciation	(353)	(379)
	<u>786</u>	<u>760</u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	<b>\$'000</b>
Balance at 1 January 2023	809
Exchange differences	(22)
Depreciation expense	<u>(27)</u>
Balance at 31 December 2023	760
Exchange differences	53
Depreciation expense	<u>(27)</u>
Balance at 31 December 2024	<u>786</u>

The Group has leased a premises for its office and factory use for 42 years from Jiangyin Fumao Textile Chemical Fiber Co., Ltd, a company controlled by Mr Dong Chen.

The Group leases property for its offices and 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. 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's obligations are secured by the lessors' title to the leased assets for such leases. No lease for the factories expired in the current financial year. No new leases were added in the current financial year.

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

The office lease agreement does not contain variable payment terms. The Group does not provide residual value guarantees in relating to its property lease.

**Note 12. Trade and other payables**

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables	12,799	11,449
Advances from customers	12,326	11,499
Other payables	9,912	4,016
Other payables to related parties	<u>3,038</u>	<u>4,637</u>
	<u>38,075</u>	<u>31,601</u>



**Note 12. Trade and other payables (continued)**

*Amounts not expected to be settled within the next 12 months*

The following amounts reflect payables that are not expected to be taken within the next 12 months:

	Consolidated	
	2024	2023
	\$'000	\$'000
Other payables to third parties - Non-current	-	527
Other payables to related parties - Non-current	1,475	1,545
	<u>1,475</u>	<u>2,072</u>

Other payables to related parties represented payable balances due to Mr Dong Chen and his associates.

**Note 13. Borrowings**

	Consolidated	
	2024	2023
	\$'000	\$'000
Bank loans	<u>37,027</u>	<u>24,448</u>

The balance represented RMB168 million short-term bank loans with an average interest rate of 3.3% as at 31 December 2024 (31 December 2023: RMB118.7 million an average interest rate of 5.02%).

Refer to note 22 for further information on financial instruments.

**Note 14. Lease liabilities**

	Consolidated	
	2024	2023
	\$'000	\$'000
Lease liability	<u>1,578</u>	<u>-</u>

Refer to note 22 for further information on financial instruments.

**Note 15. Payables**

	Consolidated	
	2024	2023
	\$'000	\$'000
Other payables	<u>1,475</u>	<u>2,072</u>

Refer to note 22 for further information on financial instruments.

**Note 16. Borrowings**

	Consolidated	
	2024	2023
	\$'000	\$'000
Bank loans	<u>5,885</u>	<u>1,081</u>



**Note 16. Borrowings (continued)**

The balance represented RMB26.7 million long-term bank loans with an average interest rate of 3.5% as at 31 December 2024 (31 December 2023: RMB5.25 million with an interest rate of 3.5%).

Refer to note 22 for further information on financial instruments.

**Note 17. Lease liabilities**

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Lease liability	268	-

Refer to note 22 for further information on financial instruments.

**Note 18. Issued capital**

	<b>2024</b>	<b>2023</b>	<b>Consolidated</b>	<b>2024</b>	<b>2023</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares - fully paid	101,000,000	101,000,000	17,144	17,144	17,144

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Share buy-back*

There is no current on-market share buy-back.

*Capital risk management*

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

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

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

**Note 19. Reserves**

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Foreign currency reserve	571	1,240



## Note 19. Reserves (continued)

### Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

### Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Translation Reserve \$'000
<b>Consolidated</b>	
Balance at 1 January 2023	1,187
Foreign currency translation	53
Balance at 31 December 2023	1,240
Foreign currency translation	(669)
Balance at 31 December 2024	571

## Note 20. Earnings per share

	Consolidated	
	2024 \$'000	2023 \$'000
Loss after income tax attributable to the owners of Kemao Industries Limited	(11,088)	(1,915)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	101,000,000	101,000,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	101,000,000	101,000,000
	<b>Cents</b>	<b>Cents</b>
Basic loss per share	(10.98)	(1.90)
Diluted loss per share	(10.98)	(1.90)

## Note 21. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

## Note 22. Financial instruments

### Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and cashflow forecasts for liquidity risk.



## Note 22. Financial instruments (continued)

### Market risk

#### Foreign currency risk

The Group's major operations are in China, with most of its assets and liabilities denominated in Chinese Yuan Renminbi ("CNY"). It conducts certain transactions in foreign currencies, such as USD, and is exposed to foreign exchange rate fluctuations, being mainly CNY. Translation differences arising from the conversion of the Company's subsidiaries' financial statements from CNY to AUD are recognized in other comprehensive income.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
<b>Consolidated</b>				
US dollars	4,205	1,764	-	-
Chinese Yuan Renminbi	65,717	54,816	83,923	58,922
	<u>69,922</u>	<u>56,580</u>	<u>83,923</u>	<u>58,922</u>

The Group had net liabilities denominated in foreign currencies of \$14,001,000 (assets of \$69,922,000 less liabilities of \$83,923,000) as at 31 December 2024 (2023: net liabilities of \$2,342,000 (assets of \$56,580,000 less liabilities of \$58,922,000)). Based on this exposure, had the US dollars weakened by 1%/strengthened by 1% (2023: weakened by 1%/strengthened by 1%) against these foreign currencies with all other variables held constant, the Group's profit before tax for the year would have been \$38,000 lower/\$38,000 higher (2023: \$14,840 lower/\$14,840 higher) and equity would have been \$38,000 lower/\$38,000 higher (2023: \$14,880 lower/\$14,880 higher). The Group considers the risk of foreign exchange risk is under controllable as most of the foreign currency assets are short-term trade receivables. It does not use any hedging instrument to manage the risk.

#### Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. All of the Group's borrowings are fixed rates loans.

As at the reporting date, the Group had the following current and non-current borrowings outstanding:

	2024		2023	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
<b>Consolidated</b>				
Bank loans - current	3.30%	37,027	5.02%	24,448
Bank loans - non-current	3.50%	<u>5,885</u>	3.50%	<u>1,081</u>
Net exposure to cash flow interest rate risk		<u>42,912</u>		<u>25,529</u>

For the Group the bank loans outstanding, totalling \$42,912,000 (2023: \$25,529,000), are principal and interest payment loans. Annual interest costs of approximately \$1,427,000 (2023: \$1,265,000). An official increase/decrease in interest rates of 100 (2023: 100) basis points would have an adverse/favourable effect on profit before tax of \$429,000 (2023: \$255,000) per annum. At the reporting date, the remaining paid-out periods for the non-current bank loans were 4.1 years.



## Note 22. Financial instruments (continued)

### **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

### **Liquidity risk**

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

### **Fair value of financial instruments**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

## Note 23. Reconciliation of loss after income tax to net cash from/(used in) operating activities

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax expense for the year	(11,088)	(1,915)
Adjustments for:		
Depreciation and amortisation	1,112	1,163
Accrued interest expenses	-	135
Change of fair value of the financial liability	-	(458)
Impairment of trade and other receivables	1,572	315
Write-down of inventory to net realisable value	732	-
Provision for inventory obsolescence	332	-
Net gain on disposal of property, plant and equipment	(212)	-
Foreign exchange differences	(373)	205
Change in operating assets and liabilities:		
Increase in trade and other receivables	(3,472)	(223)
(Increase)/decrease in inventories	(4,564)	879
Decrease in other operating assets	-	5,817
Increase/(decrease) in trade and other payables	4,365	(4,815)
Decrease in deferred tax assets	-	832
Net cash from/(used in) operating activities	<u>(11,596)</u>	<u>1,935</u>



**Note 24. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by Hall Chadwick Audit (WA) Pty Ltd, the auditors of the company and its subsidiaries:

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services - Hall Chadwick Audit (WA) Pty Ltd</i>		
Audit or review of the financial statements	23	23
<i>Audit services - other auditors for subsidiaries</i>		
Audit or review of the financial statements	24	24

**Note 25. Related party transactions**

*Parent entity*

Kemao Industries Limited is the parent entity.

*Directors and directors' affiliates*

Directors, director's close family members, and directors' related companies.

*Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
<i>Sale of goods and services:</i>		
Sale of goods to Jiangyin Hao Days Spirit Import and Export Trade Co., Ltd, a company with significant influence	1,056	132
<i>Payment for lease:</i>		
Payment for lease of a premise from Jiangyin Fumao Textile Chemical Fiber Co. Ltd, a company controlled by Mr Dong Chen	446	437
<i>Interest paid to Jiangyin Hao Days Spirit Import and Export Trade Co., Ltd, a company with significant influence</i>	61	122
Accrued interest to Mr Dong Chen's close family members	79	75
<i>Working capital advances received/(returned) from/(to):</i>		
Mr Dong Chen and his close family members	3,700	57
Jiangyin Fumao Textile Chemical Fiber Co., Ltd, a company controlled by Mr Dong Chen	(1,203)	(55)





**Note 25. Related party transactions (continued)**

*Receivable from and payable to related parties*

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Current receivables:		
Other receivables due from Mr Dong Chen and his close family members	386	148
Other receivables due from Jiangyin Fumao Textile Chemical Fiber Co., Ltd, a company controlled by Mr Dong Chen	1,745	523
Current payables:		
Other payables due to Mr Dong Chen and his close family members	3,585	150
Other payables due to Jiangyin Hao Days Spirit Import and Export Trade Co., Ltd, a company with significant influence	1,763	1,644
Non-current borrowings:		
Loan from a close family member of Mr Dong Chen	1,653	1,545

*Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates. All loans due from the directors and their affiliates are interest-free and repayable only when the Group has the financial capability.

**Note 26. Parent entity information**

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax	(106)	(172)
Total comprehensive loss	(106)	(172)



**Note 26. Parent entity information (continued)**

*Statement of financial position*

	<b>Parent</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Total current assets	13	7
Total assets	13	7
Total current liabilities	90	280
Total liabilities	392	280
Equity		
Issued capital	7,202	7,202
Accumulated losses	(7,581)	(7,475)
Total deficiency in equity	(379)	(273)

*Contingent liabilities*

The parent entity had no contingent liabilities as at 31 December 2024 and 31 December 2023.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2024 and 31 December 2023.

*Material accounting policy information*

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Receivables due from subsidiaries are accounted for at cost, less any impairment, in the parent entity.

**Note 27. Events after the reporting period**

No matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.



Entity name	Entity type	Place formed / Country of incorporation	Ownership interest	Tax residency
			%	
Kemao Industries Limited	company	Australia	-	Australia
Global Newmat Sdn. Bhd.	company	Malaysia	100.00%	Malaysia
Jiangyin Fuke New Materials Co. Ltd.	company	China	100.00%	China
Jiangsu Kemao New Materials Technology Co. Ltd.	company	China	100.00%	China



In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- The information disclosed in the consolidated entity disclosure statement is true and correct.
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Dong Chen, Director  
12 June 2025

## INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF KEMAO INDUSTRIES LIMITED AND ITS CONTROLLED ENTITIES

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Kemao Industries Limited ( "the Company") and its controlled entities ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 31 December 2024, 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 material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2024 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

#### 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 the Consolidated Entity 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 (including Independence Standards)* (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## 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
<p><b>1) Revenue and related risk of fraud</b></p> <p>The recognition of revenue was considered a key audit matter due to the significance and materiality of the matter to users understanding of the financial report; as well as judgement surrounding the determination of performance obligations in accordance with AASB 15: Revenue from Contracts with Customers.</p> <p><b>2) Impairment of trade receivables and advanced payments and other receivables – Note 8</b></p> <p>Impairment losses represent management's best estimate of expected credit losses on receivables and advanced payments at the reporting date. As measurement of impairment losses requires judgements and decisions, the Group assesses impairment of trade and other receivables, as well as advanced payments both individually and collectively at each reporting date. In estimating the amount of impairment losses, which is equal to the expected credit losses (ECL), management takes into account, among other things, the payment history and experience of credit losses of the receivables, adjusted for factors specific to the debtors, and an assessment of the current and expected general economic conditions.</p> <p>Thus, the key areas of measurement uncertainty and judgements related to the recognition of impairment of these balances are as follows:</p> <ul style="list-style-type: none"> <li>- the assumptions used to estimate the credit risk of the related exposure and the client's expected future cash flows;</li> <li>- identification of exposures with significant credit risk or credit impairment (default)</li> </ul>	<p>Our audit procedures included but were not limited to:</p> <ul style="list-style-type: none"> <li>• Evaluating the revenue recognition policies for all material sources of revenue and from our detailed testing performed, ensured that revenue was being recognized appropriately, in line with Australian Accounting Standards and policies disclosed within the financial statements;</li> <li>• Assessing the controls within the revenue process as well as performing cut-off sample testing; and</li> <li>• Substantively testing a sample of revenue transactions throughout the financial year</li> </ul> <p>Our procedures included, among others:</p> <ul style="list-style-type: none"> <li>• assessing the appropriateness of the Group's impairment methodology;</li> <li>• understanding and assessing the key internal controls in relation to receivable recoveries and impairment testing;</li> <li>• we reviewed the key parameters of the collective impairment model, such as historical information on default rates and their impact on the model, taking into account the Group's own historical credit loss experience, our understanding of the business and current economic trends and expectations;</li> <li>• retrospectively assessing the historical accuracy of management's impairment assumptions and estimates, including loss rates, compared to actual results; and</li> </ul> <p>assessing the adequacy of the ECL disclosures in accordance with the relevant accounting standards.</p>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 31 December 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the remuneration report and our related assurance opinion.

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 the Company 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, and the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity'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 Consolidated Entity or to cease operations, or has 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2024.

In our opinion, the Remuneration Report of Company, for the year ended 31 December 2024, complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.



**HALL CHADWICK AUDIT (WA) PTY LTD**  
**ABN 42 163 529 682**



**NIKKI SHEN CA**  
**Director**

Dated this 12 June 2025  
Perth, Western Australia



## ADDITIONAL INFORMATION

### SUBSTANTIAL SHAREHOLDERS

There were two substantial shareholders as at 15 May 2025:

- i. Dong Chen holds 58,820,000 ordinary shares, or 58.24% of the voting rights in the Company;
- ii. Fang Chen holds 11,930,000 ordinary shares, or 11.81% of the voting rights in the Company.

### ISSUED SECURITIES

Quoted Securities NSX Code	Number of Holders	Security Description	Total Securities
KEM	109	Ordinary Fully Paid	101,000,000

### VOTING RIGHTS

Shareholders are entitled to one vote for each share held. On a show of hands every shareholder present 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	8,395	0.01
5,001 - 10,000	6	52,190	0.05
10,001 - 100,000	58	3,818,715	3.78
Over 100,000	43	97,120,700	96.16
<b>TOTAL HOLDERS</b>	<b>109</b>	<b>101,000,000</b>	<b>100%</b>

### UNMARKETABLE PARCELS

As at 15 May 2025 there were no shareholders holding less than a marketable parcel of shares.

### BUY-BACK

There is no current on-market buy-back.

### VOTING RIGHTS

All issued ordinary shares carry one vote per share and carry the rights to dividends.

### RESTRICTED SECURITIES

There are no restricted securities.



## 20 LARGEST SHAREHOLDERS

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

<b>Name</b>	<b>Number of Ordinary Shares</b>	<b>% of Issued Securities</b>
DONG CHEN	58,820,000	58.24
FANG CHEN	11,930,000	11.81
JIANG NAN XU	3,200,000	3.17
KAIFENG GU	3,000,000	2.97
JIANG JIE	2,000,000	1.98
HUANG TIAN	1,800,000	1.78
CHUNXIAO FAN	1,550,000	1.53
DEHONG ZHOU	1,200,000	1.19
YAN LU	1,000,000	0.99
WENZHEN XU	1,000,000	0.99
JIFA XIA	1,000,000	0.99
JIANDING ZHOU	1,000,000	0.99
WEI XU	1,000,000	0.99
WEI CHEN	1,000,000	0.99
QIN LU	800,000	0.79
WEIQING JIANG	600,000	0.59
JIANGANG GU	500,000	0.50
DONGHUA CHEN	500,000	0.50
LANYING XU	400,000	0.40
LINGHUA CHEN	300,000	0.30
<b>Total</b>	<b>92,600,000</b>	<b>91.69%</b>