



KEMAO INDUSTRIES LIMITED

ACN 625 928 216 | NSX Code: KEM

2023 ANNUAL REPORT

CORPORATE DIRECTORY

Directors

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

Company Secretary

Xuekun Li

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Auditor

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Public Listing

National Stock Exchange of Australia – Code: KEM

Bankers

Australia and New Zealand Banking Group Limited

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CHAIRMAN'S STATEMENT

Dear Fellow Shareholders,

Welcome to our annual report.

2023 was a critical year for Kemao Group. We made an important strategic decision to launch substantial technological transformations, which include technical improvements across all production lines and significant upgrade of the whole operational system. These transformations are crucial for KEM to achieve long-term success and sustainability in a challenging market. Therefore, despite the necessary disruptions to production and operations, management remain in its commitment to implementing the project and pushing forward.

Group Overview

The Group incurred a net loss of AUD1.8 million for the year ended 31 December 2023, which was in line with the expectation of management. Sales remained resilient, dropped slightly by 4%. But the shut-down or suspension of production lines during the technical transformations impacted on costs and reduced profit.

However, as one of the largest leading tin-plate manufactures, Kemao has maintained its major competitive advantages, including:

- Scale;
- Long-established trusted brand;
- Outstanding sales team;
- People and culture.

Meanwhile, the Group continued to adopt prudent capital management. Cashflow remained stable. Cash and bank balances as at 31 December was AUD13 million.

Outlook

We are pleased to see that the technical transformations are progressing well and expect they will be completed by the middle of 2024. Upon completion, KEM's production capability will advance to a much higher level.

I would like to extend my thanks to all shareholders for your continued support and trust in KEM. On behalf of the Board, I would also like to extend my appreciation to the management and all employees for their hard work and achievements over the past year.



Long Huy Lam
Non-Executive Chairman

REVIEW OF ACTIVITIES

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

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

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

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

Key Business Highlights and Achievements during 2023:

- **Launched substantial technical transformations**

After conducting a comprehensive study of KEM's competitiveness, the Group has strategically decided to conduct substantial technical transformations across all its production lines. The transformation program went far beyond merely buying new to replace the old; it involved a complete upgrade of the current production systems. Given the unprecedented depth and scale of the transformations, KEM anticipated they would impact sales and operations in 2023 and the first half year of 2024. This was primarily due to the necessity of suspending different production lines during the transformations. However, the Company believes the technical transformations were crucial for KEM to achieve its long-term sustainability and success in the current challenging environment. While initial investments in the transformation were significant, in the long run, the Company believe it will receive greater benefit by higher efficiency, lower labor costs, and better resource utilisation. Through the transformations, the Company expect:

- Efficiency will be increased significantly by streamlining current manufacturing processes and implementing automation for repetitive tasks.
- Productivity will be enhanced with much more advanced equipment and tools;
- Costs will be significantly saved, especially repair and maintenance expenditure and waste;
- Sales will increase as KEM will be able to develop new and better products using the modern manufacturing system.

The Company plans to complete the whole transformations in the first half of 2024.

- **Sales remained strong and overseas market continued to recover**

While impacted by the undergoing technical transformations, the Group's sales remained stable, slightly dropped 4% compared to last year. While Chinese market is challenging and competitive, domestic sales remained resilient and comparable to last year. Due to the continuous geopolitical conflicts, overseas sales decreased to AUD31 million.

KEMAO INDUSTRIES LIMITED AND ITS CONTROLLED ENTITIES

• Optimising financing structures

The Group increased its borrowings in 2023 as a result of the significant investments in technical transformations. KEM carefully managed its gearing ratio and ensured its cashflow maintain at a healthy level. All due borrowings and loans were repaid on time. Meanwhile, by retiring borrowings with higher interest rates and swapping them for loans with lower interest rates, the average borrowing costs of the Company were lower than they were in the previous year.

• Continuous investment in Research & Development (R&D)

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

For over 15 years, Kemao China has accumulated extensive experience and knowledge on tinplate manufacturing. It has registered 20 patents and plan to invest more in developing industry-leading technologies. Fund continued to be spent on the research and development area.

Despite the business challenges of last year, the Group continued to invest in R&D amounting to AUD5.3 million (2022: AUD5.3 million).

• Other Information

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

	At 31 December 2019 000's \$	At 31 December 2020 000's \$	At 31 December 2021 000's \$	At 31 December 2022 000's \$	At 31 December 2023 000's \$
Results	809	(10,003)	(7,239)	1,114	(1,862)
Assets	78,578	59,165	67,672	60,604	56,584
Liabilities	63,607	53,796	69,542	61,360	59,202

Material Business Risk

The Group has exposure to a number of material economic, political and social sustainability risks. Some of these risks are mitigated by the use of safeguards and appropriate controls, however, some of the risks are outside the control of the Directors and management of the Company and cannot be mitigated. The risks described in this section are not an exhaustive list of all the risks faced by the Company. The risks described below could in the future materially affect the financial performance and position of the Group.

• Slowdown economy in China

Given the Group heavily relies on the Chinese market, this could have a significant impact on the Group's results. Based on the reviews of the industry indicators and data, KEM do not anticipate any substantial slowdown of its product demands for the next few years, but are currently considering options of expanding its overseas sales.

KEMAO INDUSTRIES LIMITED AND ITS CONTROLLED ENTITIES

- **Global regional conflicts and political uneasiness**

Political unrest may contribute to economic volatility, affecting customer confidence and market conditions. KEM has customers across the world, including Middle East, Africa, and Europe where regional conflicts are ongoing. Although the total sales generated from customers in these regions are not significant, the unrest may cause delays in the delivery of goods and increased transportation costs.

- **Policy and regulations change in China**

The Group's operation and production are primarily located in China. Changes in government policy and regulations may require the Group to adopt necessary adjustments to operational practices and processes. Failure to adapt promptly may lead to non-compliance penalties or legal liabilities. KEM do not expect significant changes in the industry standards and regulations in the coming years but will closely review its understanding of the policies.

KEMAO INDUSTRIES LIMITED AND ITS CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT

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

No. Y/N If not, why not

Principle 1: Lay solid foundations for management and oversight

1.1	<p><i>A listed entity should have and disclose a board charter setting out:</i></p> <p>(a) <i>The respective roles and responsibilities of its board and management; and</i></p> <p>(b) <i>Those matters expressly reserved to the board and those delegated to management.</i></p>
Y	<p>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-finplate.com/governance-policy.html</p>
1.2	<p><i>A listed entity should disclose:</i></p> <p>(a) <i>undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and</i></p> <p>(b) <i>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.</i></p>
Y	<p>The Company's board charter sets out the processes to appoint or remove a Director.</p> <p>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.</p> <p>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.</p> <p>Ms Xuekun Li and Ms Fang Chen retired by rotation in 2023 and were re-elected at the 2023 AGM. Details of their respective skills and experience were outlined in the Notice of Annual General Meeting 2023. 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.</p>
1.3	<p><i>A listed entity should have a written agreement with each director and senior executive setting out the terms of the appointment.</i></p>
Y	<p>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.</p> <p>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.</p>
1.4	<p><i>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.</i></p>

KEMAO INDUSTRIES LIMITED AND ITS CONTROLLED ENTITIES

Y	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	<p>A listed entity should:</p> <ul style="list-style-type: none">(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:<ul style="list-style-type: none">(1) the measurable objectives set for that period to achieve gender diversity;(2) the entity's progress towards achieving those objectives; and(3) either:<ul style="list-style-type: none">(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.
N	The Board supports workplace diversity, including gender diversity but considers that the Company is not of a size or maturity to justify a formal diversity policy. The Board's priority has been to ensure that its members have the appropriate level of experience and skills to manage the Company 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	<p>A listed entity should:</p> <ul style="list-style-type: none">(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.
Y	The Company has a Nomination and Remuneration Committee to review the size, the mix of skills of the Board and the performance of each director. The Nomination and Remuneration Committee performed an evaluation in 2023.
1.7	<p>A listed entity should:</p> <ul style="list-style-type: none">(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.
Y	The Company has a formal process to evaluate the performance of its senior executives. The Executive Directors review the performance of the senior management 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	<p>The board of a listed entity should:</p> <ul style="list-style-type: none">(a) have a nomination committee; <p>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.</p>
Y	The Board has a remuneration and nomination committee that is chaired by Mr LAM Long Huy and consists of two other members, Ms Xuekun Li (Non-Executive Director) and Ms Fang Chen (Executive Director). The committee undertakes the process of reviewing the skill base and experience of existing Directors to enable identification 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.

KEMAO INDUSTRIES LIMITED AND ITS CONTROLLED ENTITIES

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

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

- 2.3 A listed entity should disclose:
- 2.4 (a) the names of the directors considered by the board to be independent directors;
 (b) if a director has an interest, position, association or relationship but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
 (c) the length of service of each director.

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

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

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 significant 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.

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

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

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

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

KEMAO INDUSTRIES LIMITED AND ITS CONTROLLED ENTITIES

Principle 3: Act ethically and responsibly

3.1		<i>A listed entity should articulate and disclose its values.</i>
	Y	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		<i>A listed entity should:</i> <i>(a) have and disclose a code of conduct for its directors, senior executives and employees; and</i> <i>(b) ensure that the board or a committee of the board is informed of any material breaches of that code.</i>
	Y	The Company has adopted and disclosed a Code of Conduct applicable to all Directors, senior executives and employees at https://www.kemao-tinplate.com/governance-policy.html
3.3		<i>A listed entity should:</i> <i>(a) have and disclose a whistleblower policy; and</i> <i>(b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.</i>
	N	The Group does not have a whistle-blower policy. If any employee has concerns, they can directly report to the directors.
3.4		<i>A listed entity should:</i> <i>(a) have and disclose an anti-bribery and corruption policy; and</i> <i>(b) ensure that the board or a committee of the board is informed of any material breaches of that policy.</i>
	N	The Group does not have an anti-bribery and corruption policy. All employee are required to comply with Code of Conduct and other internal policies and regulations.

Principle 4: Safeguard integrity in corporate reporting

4.1		<i>The board of a listed entity should:</i> <i>(a) have an audit committee;</i> <i>(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.</i>
	Y	The board has an audit committee that is chaired by Mr LAM Long Huy (Bill) (Non-executive Director) and consists of two other members, Ms LI Xuekun and Mr Dong Chen. The committees in consultation with the incumbent external auditor, undertakes the selection and proper application of accounting policies, the integrity of financial reporting, the identification and management of risk and review of the operation of the internal control systems. The board has maintained regular communication with the external auditor and monitor its performance on a yearly basis. The Company's auditor has a proper policy regarding the rotation of the audit engagement partner and signs an independent declaration to the Company every year.
4.2		<i>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.</i>
	Y	The Board has received an annual assurance in the form of a declaration from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) as required by the Corporations Act 2001.
4.3		<i>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.</i>
	Y	The Company releases market update announcements that are not audited or reviewed by an external auditor from time to time. The reports are discussed at the Board meeting and prepared by the Company Secretary who has rich knowledge and experience in corporate governance. The reports are reviewed by the Chairman and be verified with external sources whenever possible.

KEMAO INDUSTRIES LIMITED AND ITS CONTROLLED ENTITIES

Principle 5: Make timely and balanced disclosure

- 5.1 *A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.*
- Y The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities. A summary of these policies and procedures is available at <https://www.kemao-finplate.com/governance-policy.html>. To ensure it meets its continuous disclosure obligations, the Board has nominated the Chairman and the Company Secretary as responsible for all disclosure matters. Their role is to collate and, where appropriate, disclose share price sensitive information.
- 5.2 *A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.*
- Y All market announcements are discussed by the Board, Material market announcements require the Board's approval.
- 5.3 *A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.*
- N/A The Company has not given any new and substantive investor or analyst presentation for the reporting period.
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Principle 6: Respect the rights of security holders

- 6.1 *A listed entity should provide information about itself and its governance to investors via its website.*
- Y The Company maintains a company website (www.kemao-finplate.com). The website contains information about the Company and its operating subsidiaries.
- 6.2 *A listed entity should have an investor relations program that facilitates effective two-way communication with investors.*
- Y The Company encourages communication with shareholders. A business report is presented to shareholders at the annual general meeting and shareholders can ask questions directly of the Board. On each NSX announcement, the Company provides contact details, including phone number and email address to facilitate shareholder communication.
- 6.3 *A listed entity should disclose how it facilitate and encourage participation at meetings of security holders.*
- Y The Board has adopted a shareholder Communication Policy and provide Shareholders with opportunities to have questions addressed at shareholders' meetings. A copy of the Shareholder Communication Policy is available at <https://www.kemao-finplate.com/governance-policy.html>
- 6.4 *A listed entity should ensure that all substantive resolutions at a meeting of security of security holders are decided by a poll rather than by a show of hands.*
- Y All resolutions at the 2023 AGM were decided by a poll.
- 6.5 *A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.*
- Y The Company's security registry has in place and has implemented a system in which security holders are given the option to receive communication from, and send communication to, the entity and its security registry electronically.
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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.
- Y The Board has a risk management committee that is chaired by Mr LAM Long Huy (Bill) (Non-Executive Director) and consists of two other members, Ms Xuekun Li and Mr CHEN Dong (Executive Director). The committee oversees the risk management for the Company, taking into account key material risks faced by the Company as identified by the Board and how these risks or, if the risks materialises, its possible impact can be minimised. A copy of the Risk Management and Internal Control Policy is available at <https://www.kemao-finplate.com/governance-policy.html>
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KEMAO INDUSTRIES LIMITED AND ITS CONTROLLED ENTITIES

	The Board ensures that risk management is included on the agenda of meetings of the board.
7.2	<p>The board or a committee of the board should:</p> <p>(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</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>
Y	The board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound. The Risk Committee performed a review in 2023.
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(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.</p>
N	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.
Y	The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory. The Board considers the Company does not have material exposure to 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	The board of a listed entity should:
8.2	<p>(a) have a remuneration committee;</p> <p>(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.</p> <p>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.</p>
Y	The Board has a remuneration and nomination committee that is chaired by Mr LAM Long Huy and consists of two other members, Ms Xuekun Li (Non-Executive Director) and Ms Fang Chen (Executive Director).
	<p>The Company adopts the following policies and practices regarding the remuneration of Executive Directors, Non-Executive Directors and senior executives:</p> <ul style="list-style-type: none"> - Executive Directors and Non-Executive Directors are paid only Directors' fees or salaries. - The Company's non-executive directors receive a fixed fee for their services and do not receive performance-based remuneration. Fees for non-executive directors are not linked to the performance of the Company. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and is currently set at \$100,000 per annum. No retirement benefits are provided to Non-executive directors. - The Board sets and determines the remuneration for senior executives and will do so having regard to prevailing levels paid to executives performing similar roles at comparable companies.
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(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</p> <p>(b) disclose that policy or a summary of it.</p>
N/A	This Recommendation is not applicable as the Company does not have an equity-based remuneration scheme.

Principle 9: Additional recommendations that apply only in certain cases

KEMAO INDUSTRIES LIMITED AND ITS CONTROLLED ENTITIES

9.1		<i>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.</i>
	Y	All directors can speak Mandarin. The Chairman and the Company Secretary are bilingual who act as interpreters at AGM. All key corporate documents, including Board Papers, minutes, financial statements are prepared and discussed in both English and Chinese. Directors may engage independent translation services when necessary.
9.2		<i>A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.</i>
	N/A	The Company is established in Australia and this recommendation is therefore not applicable. It holds its General Meeting every year.
9.3		<i>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.</i>

KEMAO INDUSTRIES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

The directors present their report, together with the consolidated financial statements of Kemao Industries Limited ("the Company") and its controlled entities ("the Group") for the financial year ended 31 December 2023. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information of directors

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

LAM Long Huy, B.Bus (Major) *(Non-executive Chairman)*

Experience and expertise Mr Lam is the founder and executive director of ABL Accounting and Taxation Pty Ltd, a boutique accounting firm which he established in 1993. Qualified as a CPA in Australia, his practice focus is in advising clients on accounting, tax planning and compliance and general corporate compliance matters. His corporate clients operate in a range of industries such as retail, property, education, recruitment, hospitality and the medical and legal professions. Prior to founding ABL Accounting and Taxation Pty Ltd, he worked as the financial controller of Wills Australia for 10 years and at AAPT Limited, a company listed on the ASX before it was acquired, then delisted, by Telecom New Zealand.

Current and Former directorships in other Australian public companies Non-executive director of Jiajiafu Modern Agriculture Limited (ASX:JJF) from 2019 to 2020;

Non-executive director of Sanhe Building Materials Technology Company Limited from 2015 to 2017.

Special responsibilities Finance and corporate management. Mr Lam is the Chairman of the Risk Management Committee, the Audit Committee, and Nomination and Remuneration Committee.

Interest in shares and options in the Company None

CHEN, Dong *(Managing Director)*

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.

Current and Former directorships in other Australian public companies None

Special responsibilities Business development. Mr Chen is a member of the Risk Management Committee.

Interest in shares and options in the Company 57,150,000 shares

KEMAO INDUSTRIES LIMITED AND ITS CONTROLLED ENTITIES

CHEN, Fang (*Executive Director*)

Experience and expertise Ms Chen joined Kemao China in 2011 and is currently Chief Business Development Officer of Kemao China. She started as a management trainee in the company and was responsible for managing the manufacturing operations. She is now responsible for the company's overall marketing, raw material procurement and day-to-day management of sales activities. She was a recipient of Wuxi City's Development and Innovation Talents Award.

Special responsibilities Business development. Ms Chen is a member of the Nomination and Remuneration Committee.

Interest in shares and options in the Company 11,830,000 shares

LI, Xuekun (*Non-executive Director; Company Secretary*)

Experience and expertise Ms LI Xuekun, 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.

Current and former directorships in other Australian public companies None

Special responsibilities Finance and corporate management.

Interest in shares and options in the Company None

KEMAO INDUSTRIES LIMITED AND ITS CONTROLLED ENTITIES

Principal activities

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

Operating results

The consolidated loss of the Group for the year ended 31 December 2023 amounted to \$1,915,000 (2022: a consolidated profit of \$1,190,000).

Review of operations

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

The Group achieved revenue of AUD181 million in 2023, down 4% from the previous year. Overseas sales also dropped by 18% from 2022, to AUD31.5 million. Domestic sales AUD150 million were comparable with last year AUD151 million. The Group achieved a gross profit of AUD1.8 million.

At 31 December 2023 KEM had \$13.1 million cash and bank and \$7 million working capital deficiency.

Review of financial conditions

The Group had net liabilities of \$2,618,000 at 31 December 2023 (31 December 2022: net liabilities of \$756,000).

Share options granted to directors and senior management

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

Significant changes in state of affairs

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

Subsequent events

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

Future developments

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

Environmental regulations

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

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

Dividends

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

KEMAO INDUSTRIES LIMITED AND ITS CONTROLLED ENTITIES

Shares under option

At 31 December 2023, there were no shares under option (31 December 2022: Nil).

Shares issued on exercise of options

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

Indemnification and insurance of officers and auditors

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

No indemnities have been given to the Auditor. The Company has not paid premiums to insure the directors and officers of the Company for the period 1 January 2023 to 31 December 2023 against those liabilities for which insurance is permitted under section 199B of the *Corporations Act 2001*.

Meetings of directors

During the financial year, four meetings of directors were held. Attendances by each director during the year were as follows. Each committee held once meeting during the financial year.

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

Proceedings on behalf of company

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

Non-audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 26 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 26 to the financial statements do not compromise the external auditor's independence, for the following reasons:

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

Auditor's independence declaration

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

Rounding off of amounts

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

KEMAO INDUSTRIES LIMITED AND ITS CONTROLLED ENTITIES

REMUNERATION REPORT (AUDITED)

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of the Company's key management personnel for the financial year ended 31 December 2023. The prescribed details for each person covered by this report are detailed below under the following headings:

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

Directors and Key Management Personnel ("KMP")

Lam, Long Huy	Non-Executive Chairman
Chen, Dong	Managing Director
Chen, Fang	Executive Director
Li, Xuekun	Non-Executive Director

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

Remuneration Policy

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

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

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

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

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

The following table shows the share price and the market capitalisation of the Company at the end of 31 December 2023. The Company has been listed on the NSX since 10 January 2020. No dividends have been paid during the year.

KEMAO INDUSTRIES LIMITED AND ITS CONTROLLED ENTITIES

At 31 December 2023

Share Price	\$0.57
Market Capitalisation	\$57.6M
Dividend	-

Key Management Personnel Emoluments

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

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

		Short-Term Benefits		Post-Employment	Share-Based Payment		Remu-neration Consisting of Options Total	Per-formance related Total
		Directors Fees	Cash Salary, Consulting Fees	Super-annuation	Options	Total		
		\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors								
Lam L. H.	2023	24,000	-	-	-	24,000	-	-
	2022	24,000	-	-	-	24,000	-	-
Li X.K.	2023	20,000	-	-	-	20,000	-	-
	2022	20,000	-	-	-	20,000	-	-
Executive Directors								
Chen. D**	2023	-	70,777	-	-	70,777	-	-
	2022	(3,000)	32,986	-	-	29,986	-	-
Chen. F**	2023	-	70,777	-	-	70,777	-	-
	2022	(3,000)	34,004	-	-	31,004	-	-
Total	2023	44,000	141,554	-	-	185,554	-	-
	2022	38,000	66,990	-	-	104,990	-	-

** : Mr Chen, Dong and Ms Chen, Fang agreed to waive their directors' fees for the year ended 31 December 2023, as well as the previous accrued and unpaid directors' fees balances owing to them.

Service Agreements

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

KEMAO INDUSTRIES LIMITED AND ITS CONTROLLED ENTITIES

LAM L.H.

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

LI X.K.

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

The Group enters into a service agreement with INP Perth Pty Ltd, a corporate consulting company of which Ms Li is a director and shareholder. Fees charged at normal commercial rates and conditions. INP Perth Pty Ltd has provided accounting and secretarial services during the year to the amount of \$46,290 (2022: 44,565).

CHEN D.

On 28 May 2018, Mr Chen was appointed as an Executive Director. According to a letter of appointment, Mr Chen is entitled to a director's fee of \$1,000 per annum. Mr Chen agreed to waive his director's fee for the year ended 31 December 2023.

CHEN F.

On 28 May 2018, Ms Chen was appointed as an Executive Director. According to a letter of appointment, Ms Chen is entitled to a director's fee of \$1,000 per annum. Ms Chen agreed to waive his director's fee for the year ended 31 December 2023.

Options granted as part of remuneration

There were no options issued during the year to any of the KMP (2022: nil).

Share-based compensation

No shares in the Company were provided as remuneration to directors of Kemao Industries Limited (2022: nil).

Equity instruments held by key management personnel

Ordinary Shares

	Opening Balance	Increase/(Decrease)	Ending Balance
ORDINARY SHARES			
LAM, Long Huy	-	-	-
ZHOU, Jianping	-	-	-
LI, Xuekun	-	-	-
CHEN, Dong*	55,880,000	1,270,000	57,150,000
CHEN, Fang**	10,450,000	1,380,000	11,830,000

*: Mr Dong Chen acquired shares through off-market transactions. Subsequent to the year-end, Mr Dong Chen additionally acquired 595,000 shares through off-market transactions.

** : Ms Fang Chen acquired shares through off-market transactions. Subsequent to the year-end, Ms Fang Chen additionally acquired 100,000 shares through off-market transactions.

Securities Policy

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

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

Shares provided on exercise of options

No ordinary shares in the Company were provided as a result of the exercise of remuneration options to directors of Kemao Industries Limited and key management of the Company during the year (2022: nil).

End of Remuneration Report (Audited).

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



Director:
LAM Long Huy

Date: 31 May 2024

To the Board of Directors,

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

As audit partner of Kemao Industries Limited for the year ended 31 December 2023, 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



NIKKI SHEN CA
Director

Dated this 31st day of May 2024
Perth, Western Australia



Kemao Industries Limited and its controlled entities
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2023

	2023	2022
	000's	000's
	\$	\$
Revenue	5 181,758	189,428
Cost of sales	(179,928)	(180,713)
Gross Profit	1,830	8,715
Other income	6 8,853	6,353
Administrative expenses	8 (3,756)	(2,841)
Operating expenses	(729)	(1,006)
Research and development expenses	8 (5,319)	(5,315)
Allowance for impairment losses	8 (315)	(2,165)
Finance costs	9 (1,647)	(1,532)
Profit/(Loss) before income tax	(1,083)	2,209
Income tax expense	10 (832)	(1,019)
Profit/(Loss) for the year	(1,915)	1,190
Other comprehensive income/(expense)		
Exchange differences on translating foreign controlled entities	53	(76)
Total comprehensive income/(expense) for the year	(1,862)	1,114
Profit/(Loss) attributable to:		
Members of the parent entity	(1,862)	1,114
Total comprehensive income/(expense) attributable to:		
Members of the parent entity	(1,862)	1,114
Earnings/(Loss) per share		
Basic – cents per share	11 (1.90)	1.18
Diluted – cents per share	11 (1.90)	1.18

The accompanying notes form part of these consolidated financial statements.



Kemao Industries Limited and its controlled entities
Consolidated Statement of Financial Position
As at 31 December 2023

	Note	2023 000's \$	2022 000's \$
ASSETS			
Current Assets			
Cash and bank balances	12	13,142	8,619
Trade receivables and advanced payments	13	14,160	22,066
Other receivables	14	2,359	1,071
Inventories	15	19,435	20,890
Total Current Assets		49,096	52,646
Non-Current Assets			
Property, plant and equipment	16	6,728	6,297
Right-of-use assets	17	760	809
Deferred tax assets	18	-	852
Total Non-Current Assets		7,488	7,958
TOTAL ASSETS		56,584	60,604
LIABILITIES			
Current Liabilities			
Trade and other payables	19	31,601	38,662
Short-term borrowings	20	24,448	22,698
Total Current Liabilities		56,049	61,360
Non-Current Liabilities			
Other payables	19	2,072	-
Long-term borrowings	20	1,081	-
Total Non-Current Liabilities		3,153	-
TOTAL LIABILITIES		59,202	61,360
NET LIABILITIES		(2,618)	(756)
EQUITY			
Issued capital	21	17,144	17,144
Reserves	22	1,240	1,187
Accumulated losses		(21,002)	(19,087)
TOTAL EQUITY		(2,618)	(756)

The accompanying notes form part of these consolidated financial statements.



Kemao Industries Limited and its controlled entities
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2023

	Ordinary Shares 000's \$	Accumulated Losses 000's \$	Foreign Currency Translation Reserve 000's \$	Total 000's \$
Balance at 1 January 2023	17,144	(19,087)	1,187	(756)
Loss for the year	-	(1,915)	-	(1,915)
Other comprehensive income for the year	-	-	53	53
Total comprehensive expense for the year	-	(1,915)	53	(1,862)
Balance at 31 December 2023	17,144	(21,002)	1,240	(2,618)
Balance at 1 January 2022	17,144	(20,277)	1,263	(1,870)
Profit for the year	-	1,190	-	1,190
Other comprehensive expense for the year	-	-	(76)	(76)
Total comprehensive income for the year	-	1,190	(76)	1,114
Balance at 31 December 2022	17,144	(19,087)	1,187	(756)

The accompanying notes form part of these consolidated financial statements.



Kemao Industries Limited and its controlled entities
Consolidated Statement of Cashflows
For the Year Ended 31 December 2023

	2023	2022
	000's	000's
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	195,646	185,784
Payments to suppliers and employees	(192,279)	(180,901)
Interest paid	(1,543)	(1,361)
Interest received	111	62
Net cash generated from operating activities	1,935	3,584
23		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(1,748)	(366)
Change in bank balances for restricted use	(4,883)	927
Net cash generated from/(used in) investing activities	(6,631)	561
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	27,482	22,910
Repayment of borrowings	(22,745)	(24,623)
Net cash generated from/(used in) financing activities	4,737	(1,713)
Net increase in cash and cash equivalents		
	41	2,432
Cash and cash equivalents at beginning of year	6,134	3,852
Effect of foreign exchange rate changes	(401)	(150)
Cash and cash equivalents at end of financial year	5,774	6,134
12		

The accompanying notes form part of these consolidated financial statements.



Kemao Industries Limited and its controlled entities

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

1. General information

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

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

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

The financial report was authorised for issue by the Directors on 15 May 2024.

Presentation currency and comparative figures

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

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

Basis of accounting

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

Going concern

The Group incurred a net loss of \$1.92 million for the year ended 31 December 2023. As at 31 December 2023 the Group had net liabilities of \$2.6 million and a working capital 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 statements have been approved by the Directors on a going concern basis due to the following factors:

- The Company has received confirmation from the major shareholder that he will continue to provide financial support to the Group as and when required for it to meet its obligations for the next twelve months from date of this report;



Kemao Industries Limited and its controlled entities

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

- The Company has received confirmation that the respective related parties will not demand payment of total liabilities of about \$5.2 million until such time it is able to do so;
- Subsequent to year end, the Company repaid around RMB52 million of its due borrowings in accordance with its repayment terms and has maintained a good credit record.
- Subsequent to year end, new loans of around RMB80 million were obtained with expiry term of one year.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern.

2. Adoption of new and revised Australian Accounting Standards

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

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

AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an investor and its Associate or Joint Venture (as amended), effective for annual reporting periods beginning on or after 1 January 2025;

AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants, effective for annual reporting periods beginning on or after 1 January 2024;

AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and leaseback, effective for annual reporting periods beginning on or after 1 January 2024;

AASB 2023-1 Amendments to Australian Accounting Standards – Supplier Finance Arrangements, effective for annual reporting periods beginning on or after 1 January 2024;

AASB 2023-5 Amendments to Australian Accounting Standards – Lack of Exchangeability, effective for annual reporting periods beginning on or after 1 January 2025.



Kemao Industries Limited and its controlled entities

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

3. Summary of Significant Accounting Policies

(a) Basis for consolidation

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

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

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

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

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

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

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

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

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



Kemao Industries Limited and its controlled entities

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

(b) Revenue

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

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

(c) Leases – the Group as lessee

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

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

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

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).



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For the Year Ended 31 December 2023

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

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

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

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

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

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

(d) Foreign currencies

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

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

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



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

(e) Borrowing costs

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

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

(f) Government grants

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

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

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

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

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

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



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(h) Income Tax

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

Current tax

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

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

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

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

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

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



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

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

Receivables and payable are stated inclusive of GST or VAT.

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

(j) Property, plant and equipment

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

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

Fixed asset class	Depreciation rate
Property	3%
Plant and Equipment	10% to 33%
Furniture, Fixtures and Fittings	10% to 20%
Motor Vehicles	20%
Computer Equipment	20% to 33%
Leasehold improvements	33%

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

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

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



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(k) Impairment of property, plant and equipment

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

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

(l) Inventories

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

(m) Financial instruments

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



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(n) Financial assets

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

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

Classification of financial assets

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

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

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

Impairment of financial assets

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

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

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

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



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(i) Significant increase in credit risk

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

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

(ii) Definition of default

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

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

(iii) Write-off policy

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

(iv) Measurement and recognition of expected credit losses

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



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

Derecognition of financial assets

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

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

Foreign exchange gains and losses

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



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(o) Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Derecognition of financial liabilities

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

(p) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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

(q) Earnings per share

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

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



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For the Year Ended 31 December 2023

4. Critical accounting judgements and estimate

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

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

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

Calculation of loss allowance

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

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

Impairment of plant and equipment

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

Deferred tax assets

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



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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

5. Revenue

The Group delivers its revenue from contracts with customers for the transfer of goods at a point in time in the following major items. The disclosure of revenue by product line is consistent with the revenue information that is disclosed for each reportable segment (see note 7).

	2023	2022
	000's	000's
	\$	\$
External revenue:		
- sale of electrolytic tinplate products	<u>181,758</u>	<u>189,428</u>
	<u>181,758</u>	<u>189,428</u>

6. Other income

Other income included:

- Scrap sales	7,049	5,857
- Interest income	112	135
- Gain on foreign exchange	300	235
- Effect on fair value on financial liabilities	456	-
- Reversal of allowance for impairment loss	774	-
- Others	<u>162</u>	<u>126</u>
	<u>8,853</u>	<u>6,353</u>

7. Operating segments

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

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

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



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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

	Sale of electrolytic finplate products		Unallocated		Total	
	2023 000's \$	2022 000's \$	2023 000's \$	2022 000's \$	2023 000's \$	2022 000's \$
Revenue						
Revenue from external customers	181,758	189,428	-	-	181,758	189,428
Total segment revenue	181,758	189,428	-	-	181,758	189,428
Result						
Gross profit	1,830	8,715	-	-	1,830	8,715
Other income	8,279	5,857	574	496	8,853	6,353
Administration and operating expenses	(4,314)	(3,728)	(171)	(119)	(4,485)	(3,847)
Research and development expenses	(5,319)	(5,315)	-	-	(5,319)	(5,315)
Impairment loss allowance on trade and other receivables and advancements	(315)	(2,165)	-	-	(315)	(2,165)
Finance costs	(1,647)	(1,532)	-	-	(1,647)	(1,532)
Profit/(loss) before income tax	(1,486)	1,832	403	377	(1,083)	2,209
Income tax	(832)	(1,019)	-	-	(832)	(1,019)
Profit/(loss) for the year	(2,318)	813	403	377	(1,915)	1,190
Segment assets	56,577	60,577	7	27	56,584	60,604
Other segment information						
Depreciation of plant and equipment	1,136	1,548	-	-	1,136	1,548
Additions to non-current assets	1,748	366	-	-	1,748	366

Geographical information

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

	2023		2022		Total	
	China 000's \$	Overseas 000's \$	China 000's \$	Overseas 000's \$	2023 000's	2022 000's
Revenue	150,287	31,471	150,848	38,580	181,758	189,428
Assets	56,577	7	60,577	27	56,584	60,604

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8. Profit/(Loss) for the year

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

	2023 000's \$	2022 000's \$
Employee benefits expense	4,520	3,856
Depreciation of property, plant and equipment	1,136	1,548
Depreciation of right-of-use assets	26	27
Research and development costs	5,319	5,315
Allowance for impairment losses – trade and other receivables and advance payments	281	2,165
Crediting:		
Net foreign exchange gains	(95)	(235)
Reversal of allowance for doubtful debts	(774)	-
Interest income	(112)	(62)

9. Finance costs

Interest on long-term payables	104	98
Interest on lease liabilities	71	73
Interest on loans	1,472	1,361
	<u>1,647</u>	<u>1,532</u>

10. Income tax expense

This comprised of:

	2023 000's \$	2022 000's \$
Corporation income tax	-	-
Deferred tax	832	1,019
	<u>832</u>	<u>1,019</u>

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

Profit/(Loss) before income tax	(1,083)	2,209
Corporation tax rate at 30% (2022: 30%)	(325)	663
Tax effect of utilisation of tax losses previously recognised	8	(512)
Different tax rate in foreign countries	832	(92)
Reversal of previously recognised deferred tax assets	80	1,019
Translation difference	237	(59)
Income tax expenses/(credit) reported in the income statement	<u>832</u>	<u>1,019</u>

The franking account balance at period end was nil (2022: nil).



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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

11. Earnings per share

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

	2023	2022
	000's	000's
	\$	\$
Profit/(loss) for the year	(1,915)	1,190
	No.	No.
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share.	101,000,000	101,000,000
	Cents	Cents
Earnings/(Loss) per share		
Basic	(1.90)	1.18
Diluted	(1.90)	1.18

12. Cash and bank balances

	2023	2022
	000's	000's
	\$	\$
Cash and bank balances	13,142	8,619
Reconciliation of cash:		
Cash and cash equivalents	13,142	8,619
Bank balances restricted for use*	(7,368)	(2,485)
Balance as per consolidated statement of cash flows	<u>5,774</u>	<u>6,134</u>

*: Bank balances restricted for use represented deposits for bank guarantees.

13. Trade receivables and advanced payments

Trade receivables	10,347	21,852
Provision for impairment	(6,217)	(6,965)
Trade receivables, net	<u>4,130</u>	<u>14,887</u>
Advanced payments	11,970	8,897
Provision for impairment	(1,940)	(1,718)
Advanced payments, net	10,030	7,179
Total trade receivables and advanced payments	<u><u>14,160</u></u>	<u><u>22,066</u></u>

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.

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



Kemao Industries Limited and its controlled entities

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

(a) Impairment of receivables

The average credit period on sales of goods is 0-60 days. No interest is charged on outstanding trade receivables. The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group has recognised a loss allowance of 100 per cent against all receivables past due over 30 days because historical experience has indicated that these receivables are generally not recoverable.

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

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

	Current	Past due 30 – 60 days	Past due 61 – 120 days	Past due more than 120 days	Total
31 December 2023:					
Expected credit loss rate	-	100%	100%	100%	
Gross carrying amount (\$)	4,186	7	32	6,122	10,347
Collective provision	(56)	(7)	(32)	(6,122)	<u>(6,217)</u>
Total					<u>4,130</u>
31 December 2022:					
Expected credit loss rate	-	100%	100%	100%	
Gross carrying amount (\$)	14,887	292	59	6,614	21,852
Collective provision	-	(292)	(59)	(6,614)	<u>(6,965)</u>
Total					<u>14,887</u>

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

	2023 000's \$	2022 000's \$
Collective assessed		
Opening balance	6,965	5,910
Net re-measurement of loss allowance	<u>(748)</u>	<u>1,055</u>
Ending balance of the year	<u><u>6,217</u></u>	<u><u>6,965</u></u>

(b) Collateral held as security

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



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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

14. Other receivables

	2023 000's \$	2022 000's \$
Gross carrying amount	3,098	2,055
Beginning balance of provision	(491)	(493)
Additions of allowance for impairment provision	(248)	(491)
Net carrying amount	<u>2,359</u>	<u>1,071</u>

15. Inventories

Raw materials and consumables	7,342	4,664
Work in progress	2,177	6,415
Finished goods	9,916	9,811
	<u>19,435</u>	<u>20,890</u>

Write downs of inventories to net realisable value during the year were nil (31 December 2022: nil).

16. Property, plant and equipment

Building

At cost	1,313	-
Accumulated depreciation	(4)	-
Total building	<u>1,309</u>	-

Plant and equipment

At cost	34,705	35,332
Accumulated depreciation	(29,401)	(29,108)
Total plant and equipment	<u>5,304</u>	<u>6,224</u>

Furniture, fixtures and fittings

At cost	65	130
Accumulated depreciation	(59)	(76)
Total furniture, fixtures and fittings	<u>6</u>	<u>54</u>

Motor vehicles

At cost	231	128
Accumulated depreciation	(122)	(109)
Total motor vehicles	<u>109</u>	<u>19</u>

Leasehold Improvements

At cost	-	186
Accumulated amortisation	-	(186)
Total leasehold improvements	<u>-</u>	<u>-</u>

Total plant and equipment

	<u>6,728</u>	<u>6,297</u>
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As at 31 December 2023, certain machinery and equipment with carrying amount of RMB10.05 million (2022: 2.68 million) were charged as securities for borrowings granted to the Group as disclosed in Note 20.



Kemao Industries Limited and its controlled entities

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

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

	Building 000's \$	Plant and Equipment 000's \$	Furniture, Fixtures and Fittings 000's \$	Motor Vehicles 000's \$	Leasehold Improvements 000's \$	Total 000's \$
Year ended 31 December 2023:						
Balance at the beginning of year	-	6,224	54	19	-	6,297
Additions	1,310	332	-	106	-	1,748
Depreciation expense	(4)	(1,115)	(1)	(16)	-	(1,136)
Foreign exchange movements	3	(137)	(47)	-	-	(181)
Balance at the end of the year	<u>1,309</u>	<u>5,304</u>	<u>6</u>	<u>109</u>	<u>-</u>	<u>6,728</u>
Year ended 31 December 2022:						
Balance at the beginning of year	-	7,571	12	27	5	7,615
Additions	-	303	63	-	-	366
Disposals	-	(3)	-	-	-	(3)
Depreciation expense	-	(1,515)	(20)	(8)	(5)	(1,548)
Foreign exchange movements	-	(132)	(1)	-	-	(133)
Balance at the end of the year	<u>-</u>	<u>6,224</u>	<u>54</u>	<u>19</u>	<u>-</u>	<u>6,297</u>

17. Lease (Group as a lessee)

Right-of-use assets - Buildings

	2023 000's \$	2022 000's \$
Opening balance of the year	809	851
Amortisation	(27)	(27)
Exchange difference	(22)	(15)
Ending balance of the year	<u>760</u>	<u>809</u>

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.



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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

18. Deferred tax assets

	2023 000's \$	2022 000's \$
Opening balance of the year	852	1,912
Credit/(charge) to profit or loss	(852)	(1,019)
Exchange differences	-	(41)
Ending balance of the year	<u>-</u>	<u>852</u>

At the reporting date, the Group has unused tax losses of AUD12.6 million (2022: AUD12.2 million) available for offset against future profits. Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

19. Trade and other payables

CURRENT

Trade payables	11,449	10,463
Deposits received in advance	11,499	18,282
Other payables to third parties	4,016	7,183
Other payables to a director*	220	-
Other payables to related parties**	4,417	2,734
	<u>31,601</u>	<u>38,662</u>

NON-CURRENT

Other payables to third parties	527	-
Other payables to related parties**	1,545	-
	<u>2,072</u>	<u>-</u>

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

*: The amount as at 31 December 2023 represented a loan payable of \$220,000 owing to Mr Dong Chen.

** : The amounts included \$1.23 million of current payable and \$1.54 million of non-current payable owing to Mr Chuandu Chen, a close family member of Mr Dong Chen; and \$1.54 million to Jiangyin Fumao Textile Chemical Fiber Co., Ltd, a company controlled by Mr Dong Chen.



Kemao Industries Limited and its controlled entities

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

20. Borrowings

Secured liabilities:

Bank loans - current	24,448	24,865
Bank loans – non-currnet	1,081	-
Total borrowings	25,529	24,865

As at 31 December 2023 the Group had bank loans with RMB balance of 124 million (31 December 2022: RMB107 million). The loans are secured by: (a) Machinery and equipment; (b) Guaranteed by Mr Dong Chen and his close family members; (c) Guaranteed provided by a third party. These loans have an average interest rate range from 4.8% to 6.5% per annum. Subsequent to the year-end, approximately RMB58 million borrowing were repaid and the remaining loans have repayment dates from June 2024 to November 2024.

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

21. Issued capital

	2023 000's \$	2022 000's \$
Opening balance & Ending balance	17,144	17,144
At the beginning/ending of the reporting period	No. 101,000,000	No. 101,000,000

Ordinary Shares

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

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

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

Capital risk management

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

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

**Kemao Industries Limited and its controlled entities****Notes to the Consolidated Financial Statements****For the Year Ended 31 December 2023**

22. Reserves

	2023 000's \$	2022 000's \$
Translation reserves		
Opening balance	1,187	1,263
Increase/(decrease) during the year	<u>53</u>	<u>(76)</u>
Ending balance	<u>1,240</u>	<u>1,187</u>

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

	2023 000's \$	2022 000's \$
Profit/(loss) for the year	(1,915)	1,190
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation and amortisation	1,163	1,570
- accrued interest expenses	135	548
- change of fair value of the financial liability	(458)	-
- loss on disposal of property, plant and equipment	-	8
- loss on foreign exchange change	205	
- impairment of receivables	315	2,165
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(223)	(1,767)
- (increase)/decrease in inventories	879	5,442
- (increase)/decrease in other assets	5,817	(834)
- increase/(decrease) in trade and other payables	(5,147)	18,214
- increase/(decrease) in other payables	332	(23,971)
- (increase) / decrease in deferred tax assets	832	1,019
Cash flows from operations	<u>1,935</u>	<u>3,584</u>



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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

24. Financial risk management

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

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

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

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

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

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

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

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

The Board of Directors receives monthly reports which provide details of the effectiveness of the processes and policies in place. Mitigation strategies for specific risks faced are described below:

Liquidity risk

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

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

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day period are identified monthly. At the reporting date, these reports indicate that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down any of the financing facilities.



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For the Year Ended 31 December 2023

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

	Carrying amount 000's \$	Contractual Cashflows 000's \$	On demand or within a year 000's \$
2023			
Trade, bills payables and advance received	22,948	22,948	22,948
Other payables and accruals	10,725	10,725	8,653
Borrowings	25,529	25,529	24,448
Total	59,202	59,202	56,049
2022			
Trade, bills payables and advance received	28,747	28,747	28,747
Other payables and accruals	9,915	9,915	9,915
Borrowings	22,698	22,698	22,698
Total	61,360	61,360	61,360

Credit risk

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

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

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

Trade receivables and contract assets

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

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

**Kemao Industries Limited and its controlled entities****Notes to the Consolidated Financial Statements****For the Year Ended 31 December 2023**

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

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

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

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

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

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

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

	Gross amount	Past due and impaired	Past due but not impaired	Within initial trade terms
	000's	000's	000's	000's
	\$	\$	\$	\$
2023				
Trade receivables	10,347	(6,217)	-	4,130
Total	10,347	(6,217)	-	4,130
2022				
Trade receivables	21,852	(6,965)	-	14,887
Total	21,852	(6,965)	-	14,887

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

The other classes of receivables do not contain impaired assets.

Market risk

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

(i) Foreign exchange risk

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



Kemao Industries Limited and its controlled entities

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

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

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

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

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

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

	2023	2022
	000's	000's
	\$	\$
Nominal amounts		
Financial assets	17,272	23,506
Financial liabilities	(59,202)	(61,360)
	(41,930)	(37,854)

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

It assumes a +/- 8% change of the Australian Dollar / Renminbi exchange rate for the year ended 31 December 2023 (31 December 2022: 8%). These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months.

The average exchange rate of the year was 4.7044 Renminbi.



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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

The sensitivity analysis is based on the foreign currency financial instruments held at the reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates. If the Australian Dollar had strengthened and weakened against the Renminbi (31 December 2022: 8%) and 8% respectively then this would have had the following impact:

	2023		2022	
	+8%	-8%	+8%	-8%
RMB	'000	'000	'000	'000
Net results	(76)	76	(193)	193
Equity	(76)	76	(193)	193

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

(ii) Interest rate risk

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

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

	2023	2022
	000's	000's
	\$	\$
Fixed rate instruments		
Borrowings	25,529	22,698

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +2.00% and -2.00% (2021: +2.00%/-2.00%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions and economist reports.

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

	2023		2022	
	+2.00%	-2.00%	+2.00%	-2.00%
	\$	\$	\$	\$
Net results	(510,580)	510,580	(453,960)	453,960
Equity	(510,580)	510,580	(453,960)	453,960



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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

25. Key management personnel

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

	2023 000's \$	2022 000's \$
Short-term employee benefits	186	105
Post-employment benefits	-	-
	<u>186</u>	<u>105</u>

26. Auditors' remuneration

	2023 000's \$	2022 000's \$
Remuneration of the auditor Hall Chadwick Audit (WA) Pty Ltd, for:		
- Auditing or reviewing the financial statements for 2023	22	20
- Adjustment charge on auditing or reviewing the financial statements for previous year	1	-
Remuneration of other auditors of subsidiaries for:		
- Auditing or reviewing the financial statements of subsidiaries	24	23
Total	<u>47</u>	<u>43</u>

27. Controlled entities

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2023	Percentage Owned (%)* 2022
Subsidiaries:			
Global Newmat Sdn. Bhd.	Malaysia	100	100
Jiangyin Fuke New Materials Co. Ltd.	China	100	100
Jiangsu Kemao New Materials Technology Co. Ltd.	China	100	100

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

28. Commitments and Contingencies

In the opinion of the Directors, the Company did not have any commitments or contingencies at 31 December 2023 (31 December 2022: None).

29. Related parties

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



Kemao Industries Limited and its controlled entities

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

(b) Balances and transactions with related parties

At 31 December 2023, the Group had other payable of \$1,535,685 from Jiangyin Fumao Textile Chemical Fibre Co., Limited, a company controlled by Mr Dong Chen and his close family members (2022: \$495,000).

At 31 December 2023, the Group had loan payable of \$220,000 to Mr Dong Chen.

At 31 December 2023, the Group had loan and other payable of \$2,778,000 to Mr Chuandu Chen, a close family member of Mr Dong Chen (2022: \$2,734,000).

At 31 December 2023, the Group had other payables of \$1,648,000 to Jiangyin Jingtian Shengshi Jinshu Zhipin Company Limited (2022: \$1,699,000), a company controlled by Mr Dong Chen and his associates.

At 31 December 2023, the Group had other payables of \$1,536,000 to Jiangyin Fumao Textile Chemical Fiber Co., Ltd, a company controlled by Mr Dong Chen and his associates.

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

The following transactions occurred and balances with related parties:

	Sales 000's \$	Purchases 000's \$	Advances to/(from) 000's \$
For the year ended 31 December 2023:			
Jiangyin Fumao Textile Chemical Fibre Co., Limited	127	-	1,544
Mr Dong Chen and his close family members	-	-	1,946
For the year ended 31 December 2022:			
Jiangyin Fumao Textile Chemical Fibre Co., Limited	141	458	-
Mr Dong Chen and his close family members	-	-	(95)

**Kemao Industries Limited and its controlled entities****Notes to the Consolidated Financial Statements****For the Year Ended 31 December 2023**

30. Parent entity

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

	2023 000's \$	2022 000's \$
Consolidated Statement of Financial Position		
Assets		
Current assets	7	27
Non-current assets	-	-
Total Assets	<u>7</u>	<u>27</u>
Liabilities		
Current liabilities	<u>280</u>	128
Total Liabilities	<u>280</u>	<u>128</u>
Equity		
Issued capital	7,202	7,202
Retained earnings	<u>(7,475)</u>	<u>(7,303)</u>
Total Equity	<u>(273)</u>	<u>(101)</u>
Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Revenue for the year	-	-
Total loss for the year	<u>(172)</u>	<u>(6,935)</u>
Total comprehensive expense for the year	<u>(172)</u>	<u>(6,935)</u>

31. Events occurring after reporting date

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



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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

The directors of the Company declare that:

1. The financial statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash flows, Consolidated Statement of Changes in Equity and accompanying notes are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the financial position as at 31 December 2023 and of the performance for the year ended on that date of the consolidated entity.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The directors have been given the declarations by the Chief Executive Officer as required by section 295A of the *Corporations Act 2001*.
4. The consolidated entity has included in the notes to the financial statements an unreserved and explicit statement of compliance with International Financial Reporting Standards.

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

Director

Lam, Long Huy

Dated this 31th day of May 2024

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF KEMAO INDUSTRIES LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Kemao Industries Limited ("the Company") and its controlled entities (collectively "the Group"), which comprises the consolidated statement of financial position as at 31 December 2023, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the year ended on that date; 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

Independence

We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 year. 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. For the matter below, our description of how our audit addressed the matter is provided in that context.

Key Audit Matters (cont)

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the below matter, provide the basis for our audit opinion on the accompanying financial report.

1. Revenue and related risk of fraud – Note 5

WHY SIGNIFICANT	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<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>Our procedures included, among others:</p> <ul style="list-style-type: none"> • Evaluating the revenue recognition policies for all material sources of revenue and from our detailed testing performed, ensured that revenue was being recognised appropriately, in line with Australian Accounting Standards and policies disclosed within the financial report; • Assessing the controls within the revenue process as well as performing cut-off sample testing; and • Substantively testing a sample of revenue transactions throughout the financial year

2. Impairment of trade receivables and advanced payments and other receivables – Note 13 and 14

WHY SIGNIFICANT	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<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"> - the assumptions used to estimate the credit risk of the related exposure and the client's expected future cash flows; - identification of exposures with significant credit risk or credit impairment (default) 	<p>Our procedures included, among others:</p> <ul style="list-style-type: none"> • assessing the appropriateness of the Group's impairment methodology; • understanding and assessing the key internal controls in relation to receivable recoveries and impairment testing; • 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; • retrospectively assessing the historical accuracy of management's impairment assumptions and estimates, including loss rates, compared to actual results; and • assessing the adequacy of the ECL disclosures in accordance with the relevant accounting standards.

Other Information

Other information is financial and non-financial information in the annual report of the Group which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report. The Other Information we obtained prior to the date of this Auditor's Report was the Director's report. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report. In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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. We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Directors' Responsibilities 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. In Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards. In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in 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 Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We 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 Group'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 Group to cease to continue as a going concern. We 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. We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the 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.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. 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 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

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2023.

In our opinion, the Remuneration Report of Kemaio Industries Limited for the year ended 31 December 2023, 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 section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



HALL CHADWICK AUDIT (WA) PTY LTD



NIKKI SHEN CA
Director

Dated this 31st day of May 2024
Perth, Western Australia

ADDITIONAL INFORMATION

SUBSTANTIAL SHAREHOLDERS

There were two substantial shareholders as at 8 May 2024:

- i. Dong Chen holds 57,745,000 ordinary shares, or 57.17% 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	117	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	64	4,143,715	4.10
Over 100,000	45	96,795,700	95.84
TOTAL HOLDERS	117	101,000,000	100%

UNMARKETABLE PARCELS

As at 8 May 2024 there were no shareholders holding less than a marketable parcel of shares.

BUY-BACK

There is no current on-market buy-back.

20 LARGEST SHAREHOLDERS

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

Name	Number of Ordinary Shares	% of Issued Securities
MR DONG CHEN	57,745,000	57.17
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
WEI CHEN	1,000,000	0.99
JIANDING ZHOU	1,000,000	0.99
WENZHEN XU	1,000,000	0.99
WEI XU	1,000,000	0.99
YAN LU	1,000,000	0.99
JIFA XIA	1,000,000	0.99
QIN LU	800,000	0.79
WEIQING JIANG	600,000	0.59
XUELONG WANG	550,000	0.54
JIANGANG GU	500,000	0.50
DONGHUA CHEN	500,000	0.50
LANYING XU	400,000	0.40
Total	91,875,000	88.05%