

# **Advanced Energy Systems Ltd And Controlled Entities**

**A.B.N. 72 066 908 530**

**Financial Report  
For the year ended 30 June 2013**

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ADVANCED ENERGY SYSTEMS LIMITED AND CONTROLLED ENTITIES

ABN 72 066 908 530

**CORPORATE DIRECTORY**

<b>Directors</b>	Mr Chenghui XU Chairman and Managing Director
	Mr Chuanlong Mu Non-Executive Director
	Ms. Chunying LENG Non-Executive Director
<b>Secretary</b>	Ms. Chunying LENG
<b>Registered Office</b>	285 Goodwood Road Kings Park SA 5034
<b>Incorporation</b>	Advanced Energy Systems Limited was incorporated in Western Australia ACN 066 908 530 ABN 72 066 908 530
<b>Auditors</b>	Grant Thornton Audit Pty Ltd Level 1 67 Greenhill Road Wayville SA 5034
<b>Share Register</b>	Boardroom Pty Ltd Level 7, 207 Kent Street Sydney NSW 2000
<b>Stock Exchange Listing</b>	Advanced Energy System Limited shares are listed on the Australian Securities Exchange (ASX: AES)

# ADVANCED ENERGY SYSTEMS LIMITED AND CONTROLLED ENTITIES

ABN 72 066 908 530

## DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Advanced Energy Systems Limited ("AES") and its controlled entities, at the end of or during, the period ended 30 June 2013.

### Directors

The following persons were directors of the Company during the period and up to the date of this report unless otherwise stated.

#### Executive Directors

Name	Position	Appointed	Ceased to be a director
Chenghui Xu	Chairman and Chief Executive officer	17/08/2007	
Gabriel Ehrenfeld	Vice Chairman and Managing Director	17/08/2007	14/09/2012

#### Non Executive Directors

Name	Position	Appointed	Ceased to be a director
Chunying Leng	Director	24/12/2010	
Chuanlong Mu	Director	21/09/2012	

### Operating Results

The consolidated loss of the entity after providing for income tax amounted to \$82,180 (2012: \$(175,825)).

### Dividends

No dividends were paid or recommended for payment during or since the end of the period.

### Review of Operations

The JUSCO Project is for the development of 188,085 square meters of commercial, residential and parking space, where all commercial and parking space will be purchased and managed by JUSCO, a chain of general merchandise stores, and the largest of its type in Japan.

This project is an old town redevelopment project; it has not progressed.

The expected turnover for the whole project is RMB 1,200 million, with an estimated pre-tax profit of RMB 420 million.

The YANFENG Project is for the development of 90,512 square meters of property.

This project is an old town redevelopment project; it has made limited progress since 2011.

The expected turnover for the whole project is RMB 600 million, with an estimated pre-tax profit of RMB 270 million.

**DIRECTORS' REPORT (CONTINUED)**

**FUSHAN PROJECT - Aocheng Gardens**

The Company now confirms that the following works have been done as at the end of December 2012:

- The first phase of the project has started to be built 117,600 square meters (including aboveground building area of 88,000 square meters of residential, commercial and public areas).
- It is anticipated that:
  - 26,000 square meters of building area will be completed at the end of July 2013.
  - 19,000 square meters of building area will be completed at the end of December 2013.
  - 43,000 square meters of building area will be completed at the end of December 2014.
- Progress of the project is now on 6<sup>th</sup> floor of the aboveground area.
- As at the end of December 2012, accumulated investment of this project is 234 million Chinese currencies, 405 properties have been sold and achieved sales revenue of 117 million Chinese currencies.

**ADELAIDE PROJECT - Tangcheng**

The Company now confirms that the following:

- Application of the Project has been lodged to the Department of Planning, Transport and Infrastructure at the end of 2012. Tangcheng Group Pty Ltd is submitting additional information for the project to the Government.

**Events Subsequent to Reporting Date**

No events subsequent to reporting data.

**Likely Developments**

There are no likely developments that will significantly affect the Company other than those detailed under significant changes in the state of affairs.

**Environmental Regulations**

The Company and its controlled entities are not subject to any Environmental Regulation.

- Auditors independence
- Resolution of authorisation
- Sign-off changes in state of affairs

As per disclosure checklist documents.

## DIRECTORS' REPORT (CONTINUED)

### Information on Directors

#### Mr Chengui Xu - Chairman & Chief Executive Officer

##### *Experience & expertise*

Mr Xu is the largest property developer in the Shangdong Province, and was ranked 18<sup>th</sup> largest in China in 2006. He has over 15 years experience in the real estate industry, and is also involved in industrial manufacturing, commercial trade and capital markets. He is also:

- A representative of the 14<sup>th</sup> National People's Congress in Yantai
- The Honorary President of the China Charity Federation in Zhifu District Yantai
- Listed in Forbes 400 Richest Chinese Business People 2006
- President of Yuancheng Industry Group Co Limited, a private group with approximately 2,000 employees
- Multiple recipient of the "Love Donation" award by the Ministry of Civil Affairs and Yantai Municipal Government.

##### *Special responsibilities*

Chairman and CEO

#### Gabriel Ehrenfeld - Vice Chairman & Managing Director

##### *Experience & expertise*

Mr Ehrenfeld is a merger, acquisition and recapitalisation specialist, with concentration on the financial, legal and commercial restructure of distressed businesses. He has over 25 years industry experience including extensive participation in information technology, internet service provision, property development, water sports, boat building, manufacturing, M&A, R&D, and product commercialisation. His current focus is on the introduction and penetration of new business opportunities in the growing markets of mainland China. He is also:

- A director of Quoin (Int) Limited, a PNG foreign public company listed on the Australia Securities Exchange (ASX: QIL)
- A director of Reeltime Media Limited, a public company listed on the Australia Securities Exchange (ASX: RMA)
- A director of Shangdong Tianye Australia Limited, a company listed on the Australian Securities Exchange (ASX: SDT)
- Trade Ambassador in Australia for People's Government Zhifu District Yantai, China
- Representative in Australia of the Club (China) of World Famous Chateaus
- A member of the Australian Institute of Company Directors
- The Executive Chairman of Coldfever International Group which owns the Boto Ski Free project
- A director and principal at Steinbruck Capital
- A director of a number of unlisted Public and Private companies in Australia, Hong Kong and China.

**DIRECTORS' REPORT (CONTINUED)**

*Directorships of other listed companies*

- Director of Advanced Energy Systems Limited subsidiaries, Powersearch Pty Ltd, Prime Power Systems Pty Ltd and Stobie Developments Pty Ltd
- Director of Quoin (Int) Limited
- Director of Reeltime Media Limited
- Director of Shangdong Tianya Australia Limited

*Special responsibilities*

Vice Chairman  
Managing Director

Mr Chuanlong Mu - Chief Executive Officer of Shangdong Dalong Real Estate Group Co Ltd

*Experience & expertise*

Mr Mu has over 15 years industry experience, including experience as an Assistant Engineer, Manager, Company Director and Chief Executive Officer.

Mrs Chunying Leng - Non Executive Director

Mrs. Chunying Leng serves as General Manager of Tangcheng Group Pty Ltd., the developer of the Adelaide Project in which it is involved. Mrs. Leng worked for Yuancheng Enterprise Group Co Ltd, a Chinese public company listed on the Shanghai Stock Exchange, as a Manager at Shangdong Yuancheng Group Co., Ltd., and as Vice General Manager of Yantai New World Property Development Co., Ltd. She has been Non-Executive Director of Advanced Energy Systems Ltd. since December 24, 2010. Mrs. Leng is experienced in international business, commercial trade and real estate, and over the last 13 years has focused on property development businesses.

Company Secretary

Mr Elias Farah was appointed on 1 June 2012, serving as Company Secretary until 11<sup>th</sup> September 2014. Ms Chunying Leng was appointed as Company Secretary on the 11<sup>th</sup> of September 2015.

**Meetings of Directors**

The Company resolved all of its key business for the period by circulating resolutions, and as such, no directors' meeting were held during the year.

Directors	Number Held	Numbers eligible to attend	Number attended
Mr Chengui XU	-	-	-
Mr Gabriel Ehrenfeld	-	-	-
Mrs Chunying Leng	-	-	-
Mr Chuanlong Mu	-	-	-

**DIRECTORS' REPORT (CONTINUED)****Directors' Interests**

The relevant interest of each director held directly, indirectly or beneficially in the shares and options issued by the Company at the date of this report are included at note 17 to the financial statements.

There have been no movements in the relevant interests of each director between the reporting date and the date of this report.

**Remuneration Report****(a) Policy for determining the nature and amount of key management personnel remuneration**

The key management personnel for the Group and the Company as follows:

Key Management Personnel**Executive Directors**

<b>Name</b>	<b>Position</b>	<b>Appointed</b>	<b>Ceased to be a director</b>
Chenghui Xu	Chairman and Chief Executive officer	17/08/2007	
Gabriel Ehrenfeld	Vice Chairman and Managing Director	17/08/2007	14/09/2012

**DIRECTORS' REPORT (CONTINUED) - REMUNERATION REPORT****Non Executive Directors**

<b>Name</b>	<b>Position</b>	<b>Appointed</b>	<b>Ceased to be a director</b>
Chunying Leng	Director	24/12/2010	
Chuanlong Mu	Director	21/09/2012	

No other key management personnel, Group or Company executives were remunerated for the year ended 30 June 2013.



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**DIRECTORS' REPORT (CONTINUED) - REMUNERATION REPORT**

**(b) Details of Remuneration**

Details of the remuneration of each director and related parties of AES Limited, including their personally related entities are set out below for the year ended 30 June 2013.

2013	Directors	Short-term		Post employment			Long Term		Share Based	Total	Performance related %
		Cash Salary & Fees	Management Fees	Superannuation	Retirement benefits	Incentive Plans	Long Service Leave				
	Mr Chenghui Xu	-	-	-	-	-	-	-	-	-	-
	Mr Gabriel Ehrenfeld (1)	-	-	-	-	-	-	-	-	-	-
	Mrs Chunying Leng	-	-	-	-	-	-	-	-	-	-
	Mr Chuanlong Mu	-	-	-	-	-	-	-	-	-	-
	<b>Total</b>	-	-	-	-	-	-	-	-	-	-

(1) (resigned 14/9/2012)

ADVANCED ENERGY SYSTEMS LIMITED AND CONTROLLED ENTITIES

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DIRECTORS REPORT (CONTINUED) - REMUNERATION REPORT

Details of Remuneration (continued)

2012	Short-term		Post employment		Long Term		Share Based	Total	Performance related %
	Cash Salary & Fees	Management Fees	Superannuation	Retirement benefits	Incentive Plans	Long Service Leave			
Mr Chenghui Xu	-	-	-	-	-	-	-	-	-
Mr Gabriel Ehrenfeld (1)	-	-	-	-	-	-	-	-	-
Mrs Chunying Leng	-	-	-	-	-	-	-	-	-
Mr Chuanlong Mu	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-	-

(1) (resigned 14/9/2012)

End of the Remuneration Report

**DIRECTORS' REPORT (CONTINUED)**

**Shares Under Option**

There are no shares under option as at the date of this report.

**Indemnification of Officers**

The company has no directors and officers insurance. No other indemnities have been given or insurance premiums paid since the end of the financial year for any person who is or has been a director or officer of the Group.

**Proceedings on behalf of the Company**

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

**Non Audit Services**

No amounts were paid to Grant Thornton Audit Pty Ltd for non-audit services during the year.

**Auditor Independence Declaration**

A copy of the Auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 43.

Signed in accordance with a resolution of the directors made pursuant to s,298(2)(a) of the Corporations Act 2001

On behalf of the directors

A handwritten signature in black ink, appearing to be 'Ms Chunying Leng', written over a horizontal line.

Ms Chunying Leng

Dated at Adelaide this 26<sup>th</sup> day of August 2015

## **CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2013**

The Board of Directors is committed to improving and achieving good standards of corporate governance and has established corporate government policies and procedures, where appropriate and practicable, consistent with the revised Corporate Governance Principles and Recommendations with 2010 Amendments 2nd Edition issued by the ASX Corporate Governance Council (“ASX Recommendations”).

The following statement sets out a summary of the Company’s corporate governance practices that were in place during the financial year and how those practices relate to the revised ASX Recommendations. The Company has reported against the revised Principles and Recommendations for each of the financial years ended 30 June 2011 through to 30 June 2013.

These recommendations are not intended to be prescriptions to be followed by all ASX listed companies, but rather guidelines designed to produce an effective, quality and integrity outcome. The Corporate Governance Council has recognised that a “one size fits all” approach to Corporate Governance is not required. Instead, it states aspirations of good practice for optimising corporate performance and accountability in the interests of shareholders and the broader economy. A company may consider that a recommendation is inappropriate to its particular circumstances and has flexibility not to adopt it and explain why.

In ensuring a good standard of ethical behaviour and accountability, the Board has included in its corporate governance policies those matters contained in the ASX Recommendations where applicable. However, the Board also recognises that full adoption of the above ASX Recommendations may not be practical nor provide the optimal result given the particular circumstances and structure of the Company. The Board is, nevertheless, committed to ensuring that appropriate Corporate Governance practices are in place for the proper direction and management of the Company. This statement outlines the main Corporate Governance practices of the Company disclosed under the ASX Recommendations, including those that comply with good practice and which unless otherwise disclosed, were in place during the whole of the financial year ended 30 June 2011.

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

#### **Recommendation 1.1 - Recommendation followed**

**1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.**

The Board’s role is to govern the Company rather than manage it. The Company’s Corporate Governance Plan includes agreed upon procedures where the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Executive Directors and any Chief Executive Officer (if appointed).

#### **Recommendation 1.2 - Recommendation followed**

**1.2 Companies should disclose the process for evaluating the performance of senior executives.**

The Board will monitor the performance of senior management, including measuring actual performance against planned performance.

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Recommendation 1.3 - Recommendation not followed**

**1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.**

The Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Executive Director/(s) and Chief Executive Officer (if appointed).

The Company's Corporate Governance policies are not listed on a website.

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

**Recommendation 2.1 - Recommendation followed**

**2.1 A majority of the Board should be independent Directors.**

A majority of the Directors are currently independent.

The Board seeks to ensure that the appropriate mix of skills and expertise is present on the Board to facilitate successful strategic direction.

The Board has at least 1 Director who is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the exercise of independent judgment.

Independent Directors should also meet the definition of independence as set out in the ASX Corporate Governance Council Principles and Recommendations.

The independence of Directors will be regularly assessed by the Board in light of their interests, all of which must be disclosed.

**Recommendation 2.2 - Recommendation not followed**

**2.2 The chair should be an independent Director.**

The chair is currently Mr Chenghui XU, who is not an independent Director.

**Recommendation 2.3 - Recommendation not followed**

**2.3 Mr Chenghui Xu undertakes the role of Chief Executive Officer and is the Non-Executive Chair.**

The Company's aim is that in the future the Chief Executive Officer should not be the Chairman of the Company during his term as Chief Executive Officer or in the future.

**Recommendation 2.4 - Recommendation not followed**

**2.4 The Board should establish a nomination committee.**

Based on the fact that the Company is in its early stages of development, and given the current size and structure of the Board, the Board has not yet formed a separate Nomination Committee. Currently matters

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

typically dealt with by such a committee are dealt with by the Board, however, the Board has formal terms of reference for the establishment of a Nomination Committee.

**Recommendation 2.5 - Recommendation not followed**

**2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.**

**Recommendation 2.6 - Recommendation followed**

**2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2.**

A description of the skills and experience of each of the current Directors is contained in the Company's Directors' Report.

Based on the fact that the Company is in its early stages of development, the Company has not yet fully complied with Principle 2 of the ASX Corporate Governance Council Principles and Recommendations. To the extent that it has not complied with Principle 2, the Company will seek to do so as the Company develops.

The Nomination Committee, when established, will determine the procedure for the selection and appointment of new Directors and the re-election of incumbents, having regard to the ability of the individual to assist the Board in fulfilling its responsibilities, as well as assist the Company in achieving growth and delivering value to shareholders. The policy for the appointment of new Directors is set out in the Company's Corporate Governance Plan.

**Principle 3: Promote ethical and responsible decision-making**

**Recommendation 3.1 - Recommendation followed**

**3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:**

- the practices necessary to maintain confidence in the Company's integrity
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company's Corporate Governance Plan includes a Corporate Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment.

**Recommendation 3.2 - Recommendation not followed**

**3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.**

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

The Company's Corporate Governance does not include an express policy specifically addressing diversity. The Company is not currently in compliance with this recommendation as the Board is comfortable that the Company already has an appropriate approach to encouraging workplace diversity without the need for a formal policy

Under the Corporate Code of Conduct principles sponsored by the board, employees must not harass, discriminate or support others who harass and discriminate against colleagues or members of the public on the grounds of sex, pregnancy, marital status, age, race (including their colour, nationality, descent, ethnic or religious background), physical or intellectual impairment, homosexuality or transgender. Such harassment or discrimination may constitute an offence under legislation. Managers should understand and apply the principles of Equal Employment Opportunity.

**Recommendation 3.3 - Recommendation not followed**

**3.3 Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.**

The Company is not currently in compliance with this recommendation as the Board is comfortable that the Company already has an appropriate approach to encouraging workplace diversity without the need for a formal policy.

**Recommendation 3.4 - Recommendation followed**

**3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.**

Ms Chunying Leng is a director and Company Secretary.

**Recommendation 3.5 - Recommendation not followed**

**3.5 Companies should provide the information indicated in the Guide to reporting on Principle 3.**

The Corporate Code of Conduct has not been listed on the Company's website.

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

**Recommendation 4.1 - Recommendation not followed**

**4.1 The Board should establish an Audit Committee.**

The Board has not established an Audit Committee.

**Recommendation 4.2 - Recommendation not followed**

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**4.2 The Audit Committee should be structured so that it:**

The Company does not have an Audit Committee, given the size of the Company the responsibility of the Audit Committee rests with the board of directors.

**Recommendation 4.3 - Recommendation not followed**

**4.3 The Audit Committee should have a formal charter.**

There is no formal charter in place.

**Recommendation 4.4 - Recommendation not followed**

**4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.**

**Principle 5: Make timely and balanced disclosure**

**5.1 Recommendation 5.1 - Recommendation not followed**

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company has a continuous disclosure program in place designed to ensure the factual presentation of the Company's financial position. The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX and shareholders, as well as providing guidance to Directors and employees on disclosure requirements and procedures. Given that the Company has a number of outstanding lodgements with the ASX this recommendation has not been followed.

**Recommendation 5.2 - Recommendation not followed**

**5.2 Companies should provide the information indicated in Guide to Reporting on Principle 5.**

As above.

**Principle 6: Respect the rights of shareholders**

**Recommendation 6.1 - Recommendation followed**

**6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.**

The board of directors have a shareholder communications strategy, which aims to ensure that the shareholders of the Company are informed of all major developments affecting the Company's state of affairs. Whilst in recent times the board has not been successful in keeping up to date with ASX



**CORPORATE GOVERNANCE STATEMENT (CONTUNED)**

lodgements a large efforts is being made to bring all lodgements up to date and provide shareholders with information.

**Recommendation 6.2 - Recommendation followed**

**6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.**

As above.

**Principle 7: Recognise and manage risk**

**Recommendation 7.1 - Recommendation followed**

**7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.**

The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

The Company's Corporate Governance Plan establishes formal terms of reference for disclosure of risk management review procedure and internal compliance and control.

**Recommendation 7.2 - Recommendation followed**

**7.2 The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.**

As above.

**Recommendation 7.3 - Recommendation not followed**

**7.3 The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.**

The size and operation of the Company do not require the employment of a Chief Financial Officer and Managing Director.

**Recommendation 7.4 - Recommendation followed**

**7.4 Companies should provide the information indicated in Guide to Reporting on Principle 7.**

Information is listed in the Company's annual reports.

**CORPORATE GOVERNANCE STATEMENT (CONTUNED)**

**Principle 8: Remunerate fairly and responsibly**

**Recommendation 8.1 - Recommendation not followed**

**8.1 The Board should establish a remuneration committee.**

Given the current size and structure of the Board, the Board has not yet formed a separate remuneration committee.

However, the Board has established formal terms of reference for a remuneration committee. The Board does not consider that any efficiencies or other benefits would be gained from establishing a separate committee. Accordingly, until the Remuneration Committee is established, the Board will carry out the duties of the Remuneration Committee in accordance with the terms of reference that have been adopted.

**Recommendation 8.2 - Recommendation not followed**

**8.2 The remuneration committee should be structured so that it:**

- consists of a majority of independent Directors
- is chaired by an independent Director
- has at least three members

As above.

**Recommendation 8.3 - Recommendation followed**

**8.3 Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.**

The company has outlined in its annual report the structure of all director remuneration.

**Recommendation 8.4 - Recommendation followed**

**8.4 Companies should provide the information indicated in the Guide to reporting on Principle 8.**

As above.

ADVANCED ENERGY SYSTEMS LIMITED AND CONTROLLED ENTITIES

ABN 72 066 908 530

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2013**

	Note	2013 \$	2012 \$
<b>Revenue</b>	<b>4</b>	59,097	53,592
Accounting & audit fee		(55,157)	(47,000)
Depreciation		(476)	(173)
Listing and share registry fees		(12,844)	(37,147)
Management fees		(39,311)	(120,215)
Other expenses		(33,489)	(24,882)
<b>Loss before income tax</b>		<u>(82,180)</u>	<u>(175,825)</u>
Income tax expense	<b>5</b>	-	-
<b>Loss after income tax</b>		(82,180)	(175,825)
<b>Other comprehensive income</b>			
Movement in foreign currency translation reserve		414,278	194,254
<b>Total comprehensive income for the period</b>		<u>332,098</u>	<u>18,429</u>
Basic loss per share (cents per share)	<b>14</b>	(0.019)	(0.045)
Diluted loss per share (cents per share)	<b>14</b>	(0.019)	(0.045)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

ADVANCED ENERGY SYSTEMS LIMITED AND CONTROLLED ENTITIES

ABN 72 066 908 530

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2013

	Note	2013 \$	2012 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	38,507	12,207
Trade and other receivables	7	196,309	110,348
<b>Total current assets</b>		<u>234,816</u>	<u>122,555</u>
<b>Non-Current Assets</b>			
Available for sale - Tangcheng	8	455,000	455,000
Available for sale - Aocheng Gardens	9	3,505,092	3,083,650
Property, plant and equipment	10	-	475
<b>Total non-current assets</b>		<u>3,960,092</u>	<u>3,539,125</u>
<b>Total Assets</b>		<u>4,194,908</u>	<u>3,661,680</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	375,637	384,312
Loans	12	232,718	22,913
<b>Total current liabilities</b>		<u>608,355</u>	<u>407,225</u>
<b>Total Liabilities</b>		<u>608,355</u>	<u>407,225</u>
<b>Net Assets</b>		<u>3,586,553</u>	<u>3,254,455</u>
<b>EQUITY</b>			
Issued capital	15	18,083,940	18,083,940
Reserves	17	479,441	65,163
Accumulated (losses)	16	(14,976,828)	(14,894,648)
<b>Total Equity</b>		<u>3,586,553</u>	<u>3,254,455</u>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

ADVANCED ENERGY SYSTEMS LIMITED AND CONTROLLED ENTITIES

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2013

	Share Capital Ordinary \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Total \$
Balance as at 1 July 2011	18,083,940	(14,718,823)	(129,091)	3,236,026
Loss for the year	-	(175,825)	-	(175,825)
Movement in foreign currency translation reserve	-	-	194,254	194,254
Total comprehensive income for the year		(175,825)	194,254	18,429
Balance as at 30 June 2012	18,083,940	(14,894,648)	65,163	3,254,455

	Share Capital Ordinary \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Total \$
Balance as at 1 July 2012	18,083,940	(14,894,648)	65,163	3,254,455
Loss for the year	-	(82,180)	-	(82,180)
Movement in foreign currency translation reserve	-	-	414,278	414,278
Total comprehensive income for the year		(82,180)	414,278	332,098
Balance as at 30 June 2013	18,083,940	(14,976,828)	479,441	3,586,553

The above Consolidated Statement of changes in Equity should be read in conjunction with the accompanying notes.

## ADVANCED ENERGY SYSTEMS LIMITED AND CONTROLLED ENTITIES

ABN 72 066 908 530

**CONSOLIDATED STATEMENT OF CASHFLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

	Note	2013 \$	2012 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
GST refund received		1	1,528
Payments to suppliers and employees		(185,190)	(26,928)
Other income		-	173
<b>Net cash provided by/(used in) operating activities</b>	<b>18</b>	<u>(185,189)</u>	<u>(25,227)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Loan from Yantai Yuancheng Material Co. Ltd		-	(364,975)
<b>Net cash (used in) investing activities</b>		<u>-</u>	<u>(364,975)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings - related parties		209,805	22,913
<b>Net cash provided by financing activities</b>		<u>209,805</u>	<u>22,913</u>
<b>Net increase/(decrease) in cash held</b>		24,616	(367,289)
Net cash at beginning of period		12,207	378,838
Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the period		1,684	658
<b>Net cash at end of period</b>		<u><u>38,507</u></u>	<u><u>12,207</u></u>

The above Consolidated Statement of Cashflows should be read in conjunction with the accompanying notes.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**Note 1 - Summary of significant accounting policies**

The financial statements have been prepared in accordance with the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The group is a for-profit group for financial reporting purposes under Australian Accounting Standards. The group is limited by shares and is incorporated in Australia.

The following is a summary of material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

**(a) Basis of Preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements comply with International Financial Reporting Standards (IRFS) as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accrual basis and are based on historical costs.

**Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 3.

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Advanced Energy Systems Limited ('company' or 'parent entity') as at 30 June 2013 and the results of all subsidiaries for the year then ended Advanced Energy Systems Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**Note 1 - Summary of significant accounting policies (continued)**

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of comprehensive income and statement of financial position of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

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

**Adoption of New and Revised Accounting Standards**

In the current year, the group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any material changes to the Group's accounting policies, except as follows:

The Group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is in conformity with the revised standard.

The Group has also applied AASB 8 *Operating Segments* which became effective on 1 January 2009. Segment information is provided using a 'management approach' i.e. segment information is provided on the same basis as information used for internal reporting purposes by the directors. Refer to note 24 for further details.

At the date of authorisation of the financial statements, certain new accounting standards and interpretations have been published that are mandatory for 30 June 2013 reporting periods. The directors have assessed the impact of these new standards and interpretations and they are not expected to compact the Group when adopted.

**(b) Going Concern**

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal trading activities and realisation of assets and settlement of liabilities in the normal course of business. The company has \$38,507 of cash and no available financing facilities. The ability to continue as a going concern and to complete the 'Aocheng Gardens' project is dependent upon shareholder support, securing finance and/or raising equity.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**Note 1 - Summary of significant accounting policies (continued)**

The Non-Executive Director who has provide a loan to the company has agreed not to call for repayment of the loan until the company has sufficient funds to meet its other obligations and excess funds to repay the loan without prejudicing other creditors. The Majority Shareholder has also provided a letter of support to continue funding the company's ongoing operations while the projects remain in development phase.

The financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts or classification of liabilities that might be necessary should the consolidated entity not be able to continue as a going concern.

**(c) Revenue Recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

*Interest*

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

**(d) Income Tax**

No income tax expense is charged for the year. The charge for income tax expense is based on the result for the year adjusted for any non-allowable or disallowable items. It is calculated using the tax rates that have been enacted or are substantially enacted by the end of the reporting period.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the year when the asset is realised or liability is settled. Deferred tax assets and liabilities are credited in the profit or loss except where it related to items that may be credited directly to other comprehensive income or equity, in which case the deferred tax is adjusted directly against other comprehensive income or equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences and unused tax losses can be utilised. As it is currently less than probable that the tax losses can be utilised in future periods for the Group, no deferred tax assets have been recognised for the year. As at the end of the reporting period the consolidated entity has not entered into Tax Consolidation.

**(e) Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the assets, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**Note 1 - Summary of significant accounting policies (continued)**

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable of the cash generating unit to which the asset belongs.

**(f) Property, Plant & Equipment**

Each class of property, plant and equipment is carried at cost or fair value, where applicable, any accumulated depreciation and impairment losses.

Property, plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

**Depreciation**

The depreciable amount of all Property, Plant and Equipment (other than Leasehold Improvements which are based on the prime cost method) is based on the diminishing value method over their useful lives to the Company commencing from the time the assets are held ready for use. The depreciation rates used for plant and equipment vary between 2.5% and 40%.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

**(g) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

**(h) Earnings per share**

**Basic earnings per share**

Basic earnings per share is determined by dividing the profit/(loss) after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

**Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**Note 1 - Summary of significant accounting policies (continued)**

potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(i) Contributed Equity**

Ordinary shares are classified as equity.

Investments in subsidiaries are accounted for in the consolidated financial statements as described in note 1 (c) and in the parent entity financial statements at cost.

**(j) Financial Instruments**

**Recognition**

Financial instruments are initially measured at costs on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

**Loans and receivables**

Loans and receivables are non-derivate financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

**Financial liabilities**

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**Impairment**

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

**(k) Foreign Currency Translations and Balances**

**Functional and presentation currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**Note 1 - Summary of significant accounting policies (continued)**

**Transaction and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are re-translated at the year-end exchange rate. Non-monetary items measured at historical costs continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as qualifying cashflow or net investment hedge.

Exchange differences arising on the translation of non-momentary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the statement of financial performance.

The functional currency of the overseas subsidiary is Chinese Renminbi. At reporting date, the assets and liabilities of the overseas subsidiary are translated into the presentation currency of Advanced Energy Systems Limited at the closing rate at balance sheet date and income and expenses are translated at the weighted average exchange rates for the year. All resulting exchange differences are recognised as a separate component of equity (foreign currency translation reserve). On disposal of a foreign entity, the cumulative exchange differences recognised in foreign currency translation reserves relating to that particular foreign operation is recognised in the income statement.

**(l) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(m) Trade and other payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

**(n) Significant accounting judgements, estimates and assumptions**

The directors evaluate estimates and judgements incorporated into the financial report based on the historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. There are no material amounts in the financial statements that are impacted by estimates or judgements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**Note 1 - Summary of significant accounting policies (continued)**

Significant judgement: Carrying value of Available for Sale Investments

Notes 8 and 9 in the financial report disclose the consolidated entity's available for sale asset for \$455,000 pertaining to the consolidated entity's investment in Tancheng Group Pty Limited related to a proposed development in Gouger Street, Adelaide and \$3,505,092 pertaining to the consolidated entity's investment in the 'Aocheng Gardens' project in Yantai, China.

In accordance with the group's accounting policy stated in Note 1(e), the group has considered the carrying value of its available for sale investments to determine whether there is any indication that those assets have been impaired. The consolidated entity is not in a position to influence the outcome and determine the timeline for completion of the projects and the recoverability of these investments is contingent upon the successful completion of the projects. These investments are carried at cost because their fair value cannot be measured reliably. Based on the information available to the group as the holder of 7% and 12.05% equity in the projects respectively, the group is not aware of any impairment indicators present and therefore a significant judgement has been taken to not impair the carrying value of either project at the balance sheet date.

**Note 2 - Financial Risk Management**

**General objectives, policies and processes**

In common with all other business, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements. There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The principal financial instruments from which financial instrument risk arises are receivables, other current assets, cash at bank, loans and trade and other payables. The directors have overall responsibility for the determination of the Group's risk management objectives. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material. The overall objectives of the Board are to set policies that seek to reduce risk as far as possible without any unduly affecting the Group's operation. Further details regarding these policies are set out below.

*Credit Risk*

The credit risk exposure on financial assets of the company which have been recognised on the Statement of Financial Position is generally the carrying amount, net of any provisions for doubtful debts, and the loan balance. In the case of cash deposits, credit risk is minimised by depositing with recognised financial intermediaries such as banks subject to Australian Prudential Regulation Authority supervision and reputable Chinese banks.

The geographic concentration of risk for cash at bank is shown under interest rate risk below.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**Note 2 - Financial Risk Management (continued)***Interest Rate Risk*

The economic entity's exposure to interest rate risk is the risk that financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on classes of financial assets and liabilities.

To monitor the interest rate risk, the Group observes the market interest rate and analyses its interest rate exposure. Within the analysis consideration is given to potential renewals of existing positions, and the mix of fixed and variable interest rates.

**Interest Rate Risk****Sensitivity Analysis**

At the end of the reporting period the interest rate profile of the Consolidated group and the Company's interest bearing financial instrument was:

	2013	2012
	\$	\$
Cash at Australian bank	25,049	92
Cash at Chinese bank	13,308	12,115

**Financial Risk Management**

Cash at bank is at floating interest rates.

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

At 30 June 2013, the effect on profit as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2013	2012
	\$	\$
Effect on Profit		
Cash as Australian Bank		
-Increase in interest rate by 2%	500	2
-Decrease in interest rate by 2%	(500)	(2)
Cash at Chinese Bank		
-Increase in interest rate by 0.5%	66	60

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

**Note 2 - Financial Risk Management (continued)***Liquidity Risk*

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The financial obligation the Consolidated Entity has is trade creditors other payables and loans of \$608,355 (2012: \$539,466). There are no other contractual liabilities in place. The directors recognise that at the date of this report the cash balance is not sufficient to cover trade and other payables. Refer to note 1(b) Going Concern, on how the directors believe that the Group can continue to trade as a going concern.

*Remaining contractual maturities*

The following tables detail the consolidated entity's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

Consolidated - 2013	Between 1 and Between 2 and				Remaining contractual maturities
	1 year or less	2 years	5 years	Over 5 years	
<i>Non-interest bearing</i>					
Other payables and loans	285,482	-	90,155	232,718	608,355
Total non-derivatives	285,482	-	90,155	232,718	608,355

*Foreign Currency Risk*

The Group is exposed to fluctuations in foreign currencies arising from the transfer of money between the Group and payments and receipts to and from overseas customers or suppliers.

The Group does not hedge to reduce the foreign exchange risk as the directors believe the risk is not significant. As at 30 June 2013 the Group did not have any financial assets and financial liabilities to foreign parties.

*Fair Value of Financial Assets and Liabilities*

The fair value of financial assets and financial liabilities of the company approximates their carrying value. The Group holds the following financial instruments:

	2013	2012
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	38,507	12,207
Available for sale	3,960,092	3,538,650
<b>Financial Liabilities at amortised cost</b>		
Trade and other payables	375,637	384,312
Loans	232,718	22,913

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

## Note 3 - Parent Entity Disclosure Note

	2013	2012
	\$	\$
<b>FINANCIAL POSITION</b>		
<b>Assets</b>		
Current Assets	42,188	3,924
Non current assets	3,459,094	3,459,570
<b>Total Assets</b>	<u>3,501,282</u>	<u>3,463,494</u>
<b>Liabilities</b>		
Current Liabilities	573,036	411,925
<b>Total Liabilities</b>	<u>573,036</u>	<u>411,925</u>
<b>Equity</b>		
Issued Capital	18,083,940	18,083,940
Retained earnings	(15,155,694)	(15,032,371)
<b>Total Equity</b>	<u>2,928,246</u>	<u>3,051,569</u>
<b>FINANCIAL PERFORMANCE</b>		
Loss for the year	(123,123)	(205,323)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<u>(123,323)</u>	<u>(205,323)</u>

The parent entity did not enter into any guarantees in relation to the debts of its subsidiaries for 2012 or 2013.

The parent entity did not have any contingent liabilities for 2012 and 2013.

The parent entity did not enter into any commitments for the acquisition of property, plant and equipment for 2012 or 2013.

## Note 4 - Revenue

	2013	2012
	\$	\$
Interest	59,097	53,419
Other Income	-	173
<b>Total Other Income</b>	<u>59,097</u>	<u>53,592</u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**Note 5 - Income Tax Expense**

	2013	2012
	\$	\$
<b>(a) Income tax benefit</b>		
Loss from ordinary activities before income tax expense	(82,180)	(175,825)
Prima face income tax benefit		
Calculated at 30% on the operating loss	(25,832)	(52,747)
Other items	-	-
Tax effect of current year profit/losses for which no deferred tax asset has been recognised	25,832	52,747
Income tax benefit	-	-
<b>(b) Deferred tax assets/liabilities not recognised</b>		
Deferred tax asset not recognised	471,674	445,842
Deferred tax liability not recognised	143,832	19,549

A deferred tax asset has not been brought into account as utilisation of these losses is not probable. The income tax losses can only be recovered by the companies deriving future assessable income, conditions for deductibility imposed by law being compiled with and no changes in tax legislation adversely affecting the realisation of the benefit from the deductions.

A deferred tax liability has not been recognised in respect of the temporary difference on the foreign currency translation reserve of \$479,441 (2012: \$65,163) arising from translating the financial statements of Yantai Aocheng Investment Consulting Company Limited in China because the deferred tax liability will only arise on disposal of the subsidiary, which is not expected in the foreseeable future.

The directors have elected not to enter the tax consolidated system whereby the parent entity and all Australian resident wholly-owned entities are treated as a single entity for income tax purposes.

**Note 6 - Cash and Cash Equivalents**

	2013	2012
	\$	\$
Cash at bank	38,507	12,207

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**Note 7 - Trade and Other Receivables**

	2013	2012
	\$	\$
Insurance refund	194	194
GST input credit	10,379	617
Without prejudice payment	3,021	3,021
Interest receivable	170,726	106,516
Sundry debtor	11,989	-
	194,309	110,348

**Note 8 - Available for Sale - Tangcheng**

AES invested in 7% of the share capital of Tangcheng Group Pty Limited ('Tangcheng'); cash paid \$7.

As part of this investment arrangement AES executed an agreement with Tangcheng for the provision of sustainable energy technology in a proposed development in Gouger Street, Adelaide and the advanced \$455,000 to Tangcheng.

This investment is carried at cost because its fair value cannot be measured reliably.

Management will realise this investment on completion of the proposed development.

**Note 9 - Available for Sale - Aocheng Gardens**

	2013	2012
Opening balance	3,083,650	2,889,070
Foreign exchange movement	421,442	194,580
Closing balance	3,505,092	3,083,650

In the 2009 financial year the Company entered into an agreement with Yantai Baocheng Real Estate Company ("Baocheng") to provide funds for the purchase of Land to be used in the Fushan Land Development Project.

As announced on the ASX on the 26th of November 2008 pursuant to provisions within legal agreements entered into AES exercised their right to assume control over the Fushan Project and ultimately the land, however, the concept of control has been taken into detailed consideration in light of actual events leading up to and including an agreement entered into on the 20<sup>th</sup> of January 2013, which in the opinion of management indicated that the consolidated group did not control the residential land development in the Fushan District in Yantai, Shandong Province, China. Accordingly, management has determined that the consolidated group record its investment in the project as an available for sale asset under AASB 139.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**Note 9 - Available for Sale - Aocheng Gardens (continued)**

On the 20th of January 2013 AES entered into an additional agreement, a “investment cooperation agreement” with Shan Dong Dalong Investment Consulting Ltd and Yantai Huiyi Investment Ltd, whereby the Group’s interest in the project was confirmed at 12.05%. Going forward the project will be operated via the establishment of a project investment entity “Yantai Baocheng Development Ltd” of which AES holds 12.05% and is reported as an Available for Sale Asset.

This investment is carried at cost because its fair value cannot be measured reliably. Management will realise this investment on completion of the proposed development.

**Note 10 - Property, Plant and Equipment**

	2013	2012
	\$	\$
Plant and equipment, at cost	2,831	2,831
Less: accumulated depreciation	(2,831)	(2,356)
Total property, plant and equipment	<u>-</u>	<u>475</u>

**Note 11 - Trade and other payables**

	2013	2012
	\$	\$
Trade and other payables	-	32,582
Other creditors and accruals	375,637	351,730
	<u>375,637</u>	<u>384,312</u>

**Note 12 - Loans**

## Non-Executive Director Loan

Ms Chunying Leng loaned the Company \$232,718. This loan is interest free and payable on demand.

**Note 13 - Subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1.

Name of entity	Country of Incorporation	Class of shares	Equity Holding	
			2013	2012
Yantai Aocheng Investment Consulting Co. Ltd	China	Ordinary	100%	100%
Powersearch Pty Ltd	Australia	Ordinary	100%	100%
Prime Power Systems Pty Ltd	Australia	Ordinary	100%	100%
Stobie Developments Pty Ltd	Australia	Ordinary	100%	100%

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**Note 14 - Loss Per Share**

	2013	2012
	\$	\$
Net loss for the year	(82,180)	(175,825)
Loss used in calculating basic earnings per share	(82,180)	(175,825)
a. Basic loss per share	(0.019)	(0.045)
b. Diluted loss per share	(0.019)	(0.045)
c. Weighted average number of shares outstanding during the year used in the calculation of basic loss per share	446,426,277	446,426,277

Diluted loss per share calculated by taking into account 169,377,250 (2012; 169,377,250) A Class Options and 750,000 C Class Options (2012; 750,000) does not show an inferior view of the earnings performance of the Group than is shown by loss per share and is not disclosed for this reason.

**Note 15 - Contributed Equity**

	2013	2013	2012	2012
	\$	Shares	\$	Shares
<b>Share Capital</b>				
Fully paid ordinary shares	18,083,940	446,426,277	18,083,940	446,426,277
<b>Movement in ordinary share capital:</b>				
	2013	2013	2012	2012
	\$	Shares	\$	Shares
	Fully Paid	Ordinary Shares	Fully Paid	Ordinary Shares
Balance at start of the year	18,083,940	446,426,277	18,083,940	446,426,277
Shares issued	-	-	-	-
Share issue costs	-	-	-	-
Balance at end of year	18,083,940	446,426,277	18,083,940	446,426,277

Ordinary shareholders are entitled 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. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands or by poll.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**Note 15 - Contributed Equity (continued)***Capital Risk Management*

The Group considers its capital to comprise its ordinary share capital. The quantitative summary of share capital is disclosed as per the above table.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for the equity shareholders through a combination of capital growth and distributions. In order to achieve its objectives, the Group seeks to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs.

**Note 16 - Accumulated Losses**

Movements in accumulated losses	2013	2012
	\$	\$
Balance at start of year	(14,894,648)	(14,718,823)
Net loss for the year	(82,180)	(175,825)
Balance at the end of the year	(14,976,828)	(14,894,648)

**Note 17 - Foreign Exchange Reserve**

	2013	2012
	\$	\$
Balance at start of year	65,163	(129,091)
Movement for the year	414,278	194,254
Balance at the end of the year	479,441	65,163

The foreign currency translation reserve is used to record exchange difference on translation of foreign controlled subsidiaries. Amounts are reclassified to profit or loss when the investment is disposed of.

**Note 18 - Reconciliation of profit after income tax to net cash flow from operating activities**

	2013	2012
	\$	\$
Loss for the year	(82,180)	(175,825)
Depreciation	476	173
(Increase)/decrease in trade debtors	(64,210)	(55,514)
GST Asset/Liability movement	(9,762)	(2,899)
Increase/(decrease) in trade and other creditors	(29,513)	208,838
Net cash flow from operating activities	(185,189)	(25,227)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013

Note 19 - Key Management Personnel Disclosure

There are no executives (other than directors) with authority for strategic decision and management.

	2013	2012
	\$	\$
(a) Compensation for Key Management Personnel	-	-
Short-term employee benefits	-	-
Post employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share based payment	-	-
	-	-

(b) Option holdings of key management personnel

The number of options over ordinary shares in the company held during the financial year by each director of Advanced Energy Systems Limited, including their personally-related entities, are set out below.

30 June 2013	Balance at begin of year	Granted as remuneration	Options exercised	Net change other	Balance at end of year	Total	Exercisable	Not exercisable
Chenghui Xu	90,000,000 A Class	-	-	-	90,000,000 A Class	-	-	-
Gabriel Ehrenfeld	60,000,000 A Class	-	-	-	60,000,000 A Class	-	-	-

(c) Shareholdings of key management personnel

The number of shares in the company held by each director of Advanced Energy Systems Limited (at reporting date), including their personally-related entities, are set out below:

30 June 2013	Balance at beginning of year	Granted as remuneration	On exercise of options	Net change other	Balance at end of year
Chenghui Xu	180,000,000	-	-	-	180,000,000
Gabriel Ehrenfeld	112,719,218	-	-	-	112,719,218
Chuanlong Mu	38,754,500	-	-	-	36,754,500

(d) Management fees

No management fees were paid during the period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**Note 20 - Related Party Transactions**

(a) Tangcheng

Stobie Developments Pty Ltd, a wholly owned subsidiary of the Company has entered into agreements relating to the development of a mixed commercial and residential complex in Gouger Street, Adelaide. The chairman of the company, Mr Xu, is a related party of Tangcheng Group Pty Ltd, the project developer. The transaction is on normal commercial terms.

(b) Baocheng

Yantai Baocheng Real Estate Co. Ltd, a related company of the Chairman, Mr Xu, is funding and undertaking the development work for the 'Aocheng Gardens' project.

The arrangement is on normal commercial terms.

The amount is unsecured. No guarantees were given or received.

No provisions for bad or doubtful debts are made in relation to this amount.

The amount is to be repaid from sales proceeds from Aocheng Gardens, which are anticipated to be received during the next 12 months.

**Note 21 - Remuneration of Auditors**

During the year audit fees of \$36,000 (2012: \$35,000) were paid/payable to Grant Thornton Audit Pty Ltd for auditing and reviewing the financial statements for the group.

**Note 22 - Contingent Liabilities**

The directors believe that there are no material contingent liabilities at the end of the reporting period.

**Note 23 - Commitments**

There were no commitments for expenditure at the end of the reporting period.

**Note 24 - Segment information**

The group has adopted AASB 8 Operating Segments from 1 July 2009 whereby segment information is presented using a 'managerial approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision maker (directors that makes strategic decisions). This has resulted in a decrease in the number of reportable segments because comparatives have been restated on this basis.

No segment information is disclosed because no discrete information is provided to the executive management team as activities are still in start-up phase. Activities are not generating any revenue and minimal expenses are being incurred.

\$455,000 of non-current assets (excluding financial instruments) are located in Australia (2012: 455,476) and \$3,505,092 are located in China (2012: \$3,083,650).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**Note 25 - Events Subsequent to the end of the Reporting period**

There have been no subsequent events, the company's securities remain suspended by the ASX.



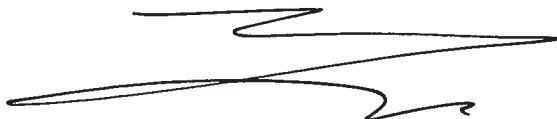
**DECLARATION BY DIRECTORS**

The directors of Advanced Energy Systems Limited declare that:

1. The financial statements and notes, as set out on pages 20 to 41, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - (b) give a true and fair view of the financial position as at 30 June 2013 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; and
3. The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors



**Ms Chunying Leng**  
Director

Adelaide  
26 August 2015

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67 Greenhill Rd  
Wayville SA 5034

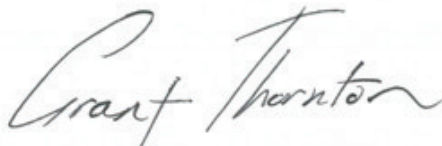
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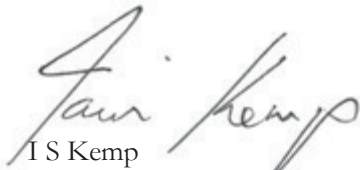
**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF ADVANCED ENERGY SYSTEMS LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Advanced Energy Systems Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



I S Kemp  
Partner – Audit & Assurance

Adelaide, 26 August 2015

Grant Thornton Audit Pty Ltd ACN 130 913 594  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADVANCED ENERGY SYSTEMS LIMITED**

### **Report on the financial report**

We have audited the accompanying financial report of Advanced Energy Systems Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### **The Directors' responsibility 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. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

### **Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

### **Auditor's opinion**

In our opinion:

- a the financial report of Advanced Energy Systems Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

### **Emphasis of Matter: Available for Sale Investments**

Without qualifying our opinion, we draw attention to Notes 8 and 9 in the financial report which discloses the consolidated entity's available for sale asset for \$455,000 pertaining to the consolidated entity's investment in Tancheng Group Pty Limited related to a proposed development in Gouger Street, Adelaide and \$3,505,092 pertaining to the consolidated entity's investment in the 'Aocheng Gardens' project in Yantai, China. The recoverability of these investments is contingent upon the successful completion of the projects and as the holder of 7% and 12.05% equity in the projects respectively, the consolidated entity is not in a position to influence the outcome and determine the timeline for completion of the projects.

If the projects are not completed there will be a material uncertainty about the consolidated entity's ability to realise these assets at their or above their recorded values.

**Emphasis of Matter: Material Uncertainty regarding Going Concern**

Without qualifying our opinion, we draw attention to Note 1(b) in the financial report which indicates that the consolidated entity has \$38,507 of cash and no available financing facilities. The ability to continue as a going concern and to complete the 'Aocheng Gardens' project is dependent upon shareholder support, securing finance and/or raising equity.

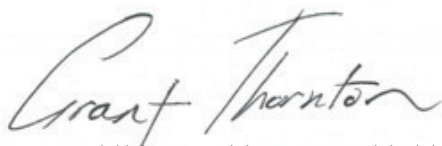
These conditions, along with other matters as set forth in Note 1(b), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

**Report on the remuneration report**

We have audited the remuneration report included in pages 8 to 11 of the directors' report for the year ended 30 June 2013. 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.

**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Advanced Energy Systems Limited for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



I S Kemp  
Partner – Audit & Assurance

Adelaide, 26 August 2015