

Advanced Energy Systems Ltd And Controlled Entities

A.B.N. 72 066 908 530

**Consolidated Financial Statements
For the Period ended 31 December 2013**

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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 31 December 2013.

Directors

The following persons were directors of AES 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	

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 \$(94,850).

Dividends

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

Review of Operations

FUSHAN PROJECT - Aocheng Gardens

The Company now confirms that the following as at 31 December 2013:

- 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).

ADELAIDE PROJECT - Tangcheng

The Company now confirms that the following works have been done as at the end of December 2013:

- Application of the Project has been lodged to the Department of Planning, Transport and Infrastructure. We are submitting additional information for the project has been submitted to the Government to help progress the projects' approval.

DIRECTORS' REPORT (Continued)

JUSCO Project

The JUSCO Project presents an opportunity to develop 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.

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

YANFENG Project

The YANFENG Project presents a development opportunity of 90,512 square meters of property.

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

Auditor's Independence Declaration

A copy of the independence declaration by lead auditor under section 307C is included on page 14 to these period financial statements.

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



Ms Chunying Leng

Director

Date : 26th August 2015

ADVANCED ENERGY SYSTEMS LIMITED AND CONTROLLED ENTITIES

ABN 72 066 908 530

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2013**

	Note	31-Dec-13 \$	31-Dec-12 \$
Revenue		29,811	26,139
Accounting & audit fee		(62,400)	(16,044)
Depreciation		-	(62)
Listing and share registry fees		(26,170)	(2,684)
Legal Fees		-	(13,008)
Management fees		(28,538)	(40,000)
Other expenses		(7,553)	(11,548)
Profit before income tax		<u>94,850</u>	<u>(57,207)</u>
Income tax expense		-	-
Profit after income tax		<u>(94,850)</u>	<u>(57,207)</u>
Other comprehensive income			
Movement in foreign currency translation reserve		<u>141,529</u>	<u>58,445</u>
Total comprehensive income for the period		<u>46,679</u>	<u>(115,652)</u>
Basic profit/(loss) per share (cents per share)		(0.021)	(0.012)
Diluted profit/(loss) per share (cents per share)		(0.021)	(0.012)

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 31 DECEMBER 2013

	Note	31-Dec-13 \$	30-Jun-13 \$
ASSETS			
Current Assets			
Cash and cash equivalents		15,113	38,507
Trade and other receivables		218,762	196,309
Total current assets		<u>233,875</u>	<u>234,816</u>
Non-Current Assets			
Available for sale - Tangcheng	7	455,000	455,000
Available for sale - Aocheng Gardens	8	3,651,409	3,505,092
Total non-current assets		<u>4,106,409</u>	<u>3,960,092</u>
Total Assets		<u>4,340,284</u>	<u>4,194,908</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	9	435,434	375,637
Loans	10	271,618	232,718
Total current liabilities		<u>707,052</u>	<u>608,355</u>
Total Liabilities		<u>707,052</u>	<u>608,355</u>
Net Assets		<u>3,633,232</u>	<u>3,586,553</u>
EQUITY			
Issued capital		18,083,940	18,083,940
Reserves		620,970	479,441
Accumulated (losses)		(15,071,678)	(14,976,828)
Total Equity		<u>3,633,232</u>	<u>3,586,553</u>

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

ADVANCED ENERGY SYSTEMS LIMITED AND CONTROLLED ENTITIES

ABN 72 066 908 530

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2013

	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 period	-	(57,207)	-	(57,207)
Movement in foreign currency translation reserve	-	-	(58,445)	(58,445)
Total comprehensive income for the period	-	(57,207)	(58,445)	(115,652)
Balance as at 31 December 2012	18,083,940	(14,951,855)	6,718	3,138,803
	Share Capital Ordinary \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Total \$
Balance as at 1 July 2013	18,083,940	(14,976,828)	479,441	3,586,553
Profit for the period	-	(94,850)	-	(94,850)
Movement in foreign currency translation reserve	-	-	141,529	141,529
Total comprehensive income for the period	-	(94,850)	141,529	46,679
Balance as at 31 December 2013	18,083,940	(15,071,678)	620,970	3,633,232

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 PERIOD ENDED 31 DECEMBER 2013**

		Consolidated	
	Note	31-Dec-13	31-Dec-12
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	-
Payments to suppliers and employees		(57,506)	(45,050)
Interest received		-	-
Net cash provided by/(used in) operating activities		<u>(57,506)</u>	<u>(45,050)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash (used in) investing activities		<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		38,900	45,172
Net cash provided by financing activities		<u>38,900</u>	<u>45,172</u>
Net increase/(decrease) in cash held		(18,606)	122
Net cash at beginning of period		38,507	12,207
Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the period		(4,788)	(243)
Net cash at end of period		<u><u>15,113</u></u>	<u><u>12,086</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 PERIOD ENDED 31 DECEMBER 2013**

1. BASIS OF PREPARATION OF PERIOD FINANCIAL STATEMENTS

These general purpose financial statements for the interim half-year reporting period ended 31 December 2013 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2. KEY ACCOUNTING JUDGEMENTS

The 'Aocheng Gardens' project is currently being funded by the main contractor on the project (refer note 8). The transaction has been accounted for with AES being the owner and developer of the 'Aocheng Gardens' project, assuming it will be able to secure funds to pay the liabilities owing to the contractor. Should funds not be raised the transaction would represent an effective "sell down" of the project, with an amount of monies and profits generated by the project commensurate with the contractor's outlay with respect to the company's investment in 'Aocheng Gardens' going to the contractor.

3. 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 \$15,113 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.

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.

4. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

There have been no subsequent events to the date of these financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2013**

5. CONTINGENT LIABILITIES

There have been no changes in contingent liabilities since the end of the previous annual reporting period, 30 June 2013.

6. SEGMENT INFORMATION

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.

7. 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 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.

8. AVAILABLE FOR SALE - AOCHENG GARDENS

	31-Dec-2013	30-Jun-2013
Opening balance	3,024,156	3,083,650
Foreign exchange movement	627,253	421,442
Closing balance	3,651,409	3,505,092

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 20th 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.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2013**

8. AVAILABLE FOR SALE - AOCHENG GARDENS (continued)

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.

9. TRADE AND OTHER PAYABLES

	31-Dec-2013	30-Jun-2013
Trade creditors	24,182	-
Other creditors and accruals	411,252	375,637
	435,434	375,637

10. LOANSNon-Executive Director Loan

Ms Chunying Leng has loaned the Company \$271,618. This loan is interest free and payable on demand.

11. SEASONALITY AND IRREGULAR TRENDS

No seasonal or irregular trends were noted during the review period.

**DIRECTORS' DECLARATION
FOR THE PERIOD ENDED 31 December 2013**

The directors of the Company declare that:

1. The consolidated financial statements and notes set out on pages 6-12 are in accordance with the Corporations Act 2001 and:
 - (a) Comply with Accounting Standard AASB 134: - Interim Financial Reporting, and the Corporations Regulations 2001; and
 - (b) Give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the period ended on that date.

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.

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:



Ms Chunying Leng

Director

Date : 26th August 2015

Level 1,
67 Greenhill Rd
Wayville SA 5034

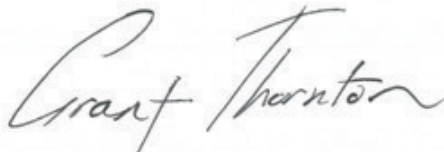
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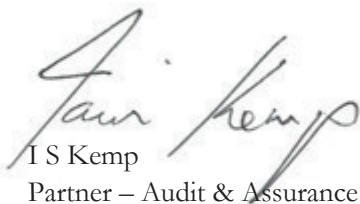
**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF ADVANCED ENERGY SYSTEMS LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Advanced Energy Systems Limited for the half-year ended 31 December 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



I S Kemp
Partner – Audit & Assurance

Adelaide, 26 August 2015

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

We have reviewed the accompanying half-year financial report of Advanced Energy Systems Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Advanced Energy Systems Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Advanced Energy Systems Limited consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Advanced Energy Systems Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Advanced Energy Systems Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of Matter: Available for Sale Investments

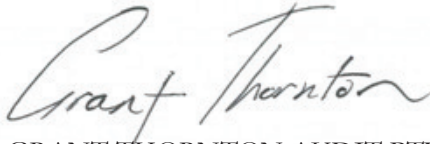
Without qualification to the conclusion expressed above, we draw attention to Notes 7 and 8 in the financial report which discloses the consolidated entity's available for sale asset for \$455,000 pertaining to the consolidated entity's investment in Tancheng Group Pty Limited related to a proposed development in Gouger Street, Adelaide and \$3,651,409 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.

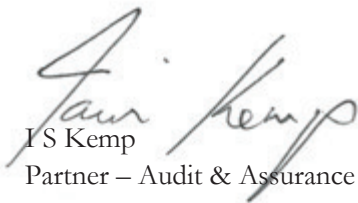
Emphasis of Matter: Material Uncertainty regarding Going Concern

Without qualification to the conclusion expressed above, we draw attention to Note 3 in the financial report which indicates that the consolidated entity has \$15,113 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 3, 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.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



I S Kemp
Partner – Audit & Assurance

Adelaide, 26 August 2015