

The logo for AOBOET, featuring the company name in white, bold, sans-serif capital letters inside a blue oval. The background of the entire page is a light blue gradient with abstract white and blue geometric shapes, including circles and lines, and a pattern of small, semi-transparent blue circles at the bottom left.

AOBOET

AOBO ENVIRONMENTAL TECHNOLOGY LIMITED

ACN 633 117 807

NSX Code: AB9

PROSPECTUS

For the issue of up to 20,000,000 shares at an offer price of \$0.25 per share to raise a maximum of \$5,000,000. The Offer is subject to a minimum issue of 3,200,000 shares at an offer price of \$0.25 per share to raise \$800,000.



IMPORTANT NOTICE

This document is important. Carefully read this Prospectus in full and consult your financial adviser, accountant, stockbroker, lawyer or other professional adviser if you are in any doubt as to what to do.



IMPORTANT INFORMATION

IMPORTANT NOTICE

This Prospectus is an important document and requires your prompt attention. You should read it carefully. It is important that you consider the risk factors (see Section 9) before deciding on your course of action as these could affect the financial performance of Aobo Environmental Technology Limited (ACN 633 117 807) (**Aobo**).

Offer

The Offer contained in this Prospectus is an invitation to acquire Shares in Aobo.

General

This Prospectus is dated 25 February 2020. A copy of this Prospectus was lodged with ASIC on that date.

Aobo has lodged an application with the NSX for admission of Aobo to the official list of the NSX and quotation of all Shares (including Shares issued pursuant to this Prospectus) on the NSX.

Neither ASIC nor NSX takes any responsibility for the contents of this Prospectus. The fact that the NSX may admit Aobo to its official list is not to be taken in any way as an indication of the merits of Aobo or the Shares offered under this Prospectus.

It is important that you read this Prospectus carefully and in full before deciding to subscribe for Shares in the Company.

Conditional Offer

The Offer is subject to and conditional upon approval of the admission of the Company's Shares to official quotation on the NSX.

Expiry Date

No Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. Shares offered pursuant to this Prospectus will be issued on the terms and conditions set out in this Prospectus.

Exposure Period

The Corporations Act prohibits Aobo from processing the Applications received until after the Exposure Period. The Exposure Period is the 7 day period from the date of this Prospectus and it may be extended by ASIC by up to a further 7 days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants. That examination may result in the identification of deficiencies in this Prospectus, in which case any Application received may need to be dealt with in accordance with section 724 of the Corporations Act. Namely, Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period and will receive no preference.

Investment Advice

This Prospectus does not take into account your financial circumstances, financial objectives or particular needs (including your financial or taxation issues). Therefore, this Prospectus does not constitute investment advice. You should obtain professional investment advice before applying for Shares under this Prospectus.

Restrictions on Offer

This Prospectus and the enclosed Application Form (including any electronic prospectus) do not, and are not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

IMPORTANT INFORMATION

No action has been taken to register or qualify the Shares, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia and the Offer is not an offer or invitation in any jurisdiction where, or to any person whom, such an offer or invitation would be unlawful.

It is the responsibility of non-Australian resident investors to obtain all necessary approvals for applying for Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by Aobo to constitute a representation and warranty by the Applicant that all approvals necessary in the jurisdiction in which the Applicant resides have been obtained.

Electronic Prospectus

This Prospectus is available electronically at www.aoboet.com.au. The website and its contents do not form part of this Prospectus and are not to be interpreted as part of, nor incorporated into, this Prospectus. Electronic versions of this Prospectus should be downloaded and read in their entirety. Obtain a paper copy of the Prospectus (free of charge) by telephoning 1300 55 66 35. Applications for Shares can be made online or on the Application Form attached to this Prospectus.

Application Forms

Applications for Shares can only be made pursuant to the Application Form attached to and forming part of this Prospectus. The Corporations Act prohibits any person from passing the Application Form to any other person unless it is attached to, or accompanied by, a complete and unaltered version of the Prospectus.

The Application Form contained in this Prospectus contains a declaration that the Applicant has personally received the complete and unaltered Prospectus prior to completing the Application Form.

Privacy

If you apply for Shares you will provide personal information to the Company and the Share Registry. This enables your Application to be assessed, you to be registered as the holder of Shares, you to be entered in the Company's register of members and to enable the Company to contact you. The Company may from time to time be required to disclose your personal information to the Australian Taxation Office, other government agencies or as required by law. The Company and the Share Registry may disclose your personal information to its agents and service providers as authorised by the *Privacy Act (1988)* (Cth) or for purposes required by the Listing Rules or the Corporations Act. You may access your personal information by contacting the Share Registry and may request corrections to such personal information.

Forward Looking Statements

Various statements in this Prospectus constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way implicitly portrayed within this Prospectus. These risks, uncertainties and other factors include, but are not limited to, the matters described in Section 9 of this Prospectus ('Risk Factors'). The Company gives no assurance that the anticipated results, performance or achievements expressed or implied in those forward looking statements will be achieved. Except to the extent required by law, the Company has no intention to update or review forward looking statements or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus.



IMPORTANT INFORMATION

Definitions

Capitalised words and expressions used in this Prospectus are defined in the Glossary at Section 13 of this Prospectus.

Miscellaneous

Monetary amounts in this Prospectus are expressed in Australian dollars unless stated otherwise. Any discrepancies between totals and sums and components in tables contained in this Prospectus are due to rounding.

Unless otherwise specified, the exchange rate used for converting amounts denominated in RMB to Australian Dollars in this Prospectus is \$1=RMB4.6891, using the currency exchange rate published by the Reserve Bank of Australia for 7 February 2020. The exchange rates used in the preparation of the financial sections of this Prospectus are set out in Section 7.

Photographs and diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration purposes only and should not be interpreted to mean that

any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by Aobo. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

Representations

No person is authorised to give any information or to make any representations in connection with the Offer other than as contained in this Prospectus. Any information or representation in connection with the Offer not contained in this Prospectus is not, and may not be relied on as having been, authorised by Aobo (or any of its officers).

Time

All reference to time relates to the time in Victoria, Australia unless otherwise stated.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued or sold under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

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LETTER FROM THE CHAIRMAN

Dear Investors,

On behalf of the Board of Directors, I am delighted to invite you to become a Shareholder in Aobo Environmental Technology Limited (**Aobo**, **Aobo Group** or **Company**).

Aobo's mission is "Our Environment, Our Energy, Our Future".

Aobo is in the business of energy efficient environmental solutions. Aobo provides Air Treatment Solutions (ATS) for industrial applications and Energy Storage Solutions (ESS) for residential and commercial applications.

Established in 1999 in Wuxi City China, Aobo leverages its design and engineering expertise coupled with application experience to offer customised ATS for industrial customers in key end markets such as food, pharmaceuticals, lithium-ion batteries and electronics production. Aobo's ATS focus on dehumidification and volatile organic compounds (VOC) abatement, which are designed to improve production safety, operational efficiency, product quality and energy efficiency, and have a direct impact on the success and operations of customers' businesses. In most cases, these solutions include customised equipment that is integrated directly into customer production processes. Many of Aobo's ATS customers are leading companies in their respective industries. Aobo offers air treatment equipment to customers in China and overseas including Australia.

Aobo's ATS business is underpinned by favourable underlying growth in its market sector and regulatory dynamics in China, increased food and pharmaceutical consumption, improved living standards and increasingly stringent environmental regulations globally.

Growing worldwide awareness of environmental issues has led to increasing demand for renewable energy such as solar energy. Driven by the Company's mission to support a sustainable energy efficient environment, Aobo launched ESS business in 2018 and developed energy storage products. The key concepts are to store energy effectively and to use energy wisely. Aobo released its flagship residential energy storage system in Australia in October 2018. By using energy storage system, solar power can be stored for later use at times when solar generation is not available, electricity prices are higher or there is a power cut.

Australia's energy storage market has exciting growth prospects and is set to lead the global solar energy and storage boom¹, driven by underlying demand for "clean" solar energy, continuing pressure on electricity prices and Government incentives to promote renewable energy and energy storage.

Aobo is led by an experienced management team and board of Directors.

The Company seeks to raise a maximum of \$5,000,000 through the issue of 20,000,000 shares at an offer price of \$0.25 per share. The Offer is subject to a minimum issue of 3,200,000 shares at an offer price of \$0.25 per share to raise \$800,000. The funds raised under the Offer will be invested in energy storage business expansion in Australia and used to fund part of construction costs for a new manufacturing facility in China. An NSX listing will also provide Aobo with fresh working capital and the benefits of an increased public profile in China and Australia.

¹ <https://www.energydigital.com/sustainability/battery-storage-become-12trn-market-australia-leading-way>

LETTER FROM THE CHAIRMAN

This Prospectus contains detailed information about the Company, the Offer, the industry in which Aobo operates and its financial and operating performance. As with any company, there are a number of risks associated with an investment in the Company which investors should consider as part of their investment decision. Key risks associated with an investment in the Company including the recent outbreak of novel coronavirus in China are set out in Section 9. It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company.

On behalf of my fellow Directors, I look forward to welcoming you as a Shareholder.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Andrew Smith', with a stylized flourish at the end.

Andrew Smith
Non-Executive Chairman

Key Offer Information

KEY DATES

Lodgement of Prospectus	25 February 2020
Offer Opening Date	11 March 2020
Offer Closing Date	16 April 2020
Expected date for dispatch of holding statements	23 April 2020
Expected date of quotation of the Company's Shares on the NSX	30 April 2020

Note: These dates are indicative only and may change. Aobo reserves the right to vary the dates and times set out above subject to Corporations Act and other applicable laws. Aobo reserves the right to vary the times and dates of the Offer including to close the Offer early, extend the Offer or to accept late Applications, either generally or in particular cases, without notification. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law. Investors are therefore encouraged to submit their Application Forms as early as possible after the Offer opens.

KEY OFFER STATISTICS

	Minimum Subscription (\$800,000)	Maximum Subscription (\$5,000,000)
Offer Price per Share ¹	\$0.25	\$0.25
Total number of Shares currently on issue	190,000,000	190,000,000
Shares issued under the Offer	3,200,000	20,000,000
Total number of shares on issue at Completion of the Offer	193,200,000	210,000,000
Total proceeds from the Offer	\$800,000	\$5,000,000
Market Capitalisation at Completion of the Offer ²	\$48,300,000	\$52,500,000

Note:

- 1 Shares may not trade at the Offer Price post listing.
- 2 This is the estimated market capitalisation of the Company based on the Offer Price of \$0.25 per Share. There is however no guarantee that the Company will trade on NSX at or above the Offer Price.

HOW TO INVEST

Applications for the Shares can only be made by completing and lodging the Application Form attached to or accompanying this Prospectus. Instructions on how to apply for Shares are set out in Section 4 and the Application Form.



1. INVESTMENT OVERVIEW

1. INVESTMENT OVERVIEW

The information in this section is intended to be a summary only and should be read in conjunction with the information set out in the remainder of this Prospectus. In deciding whether to apply for Shares, you should read this Prospectus carefully and in its entirety. If you are in doubt as to the course you should follow, you should consult your professional advisers.

1.1 INTRODUCTION TO AOBO AND ITS BUSINESS

Question	Summary answer	Where to find more information
Who is Aobo?	<p>This Prospectus is issued by Aobo Environmental Technology Limited (ACN 633 117 807), a public company incorporated in Australia on 29 April 2019.</p> <p>Aobo is in the business of energy efficient environmental solutions. Aobo provides air treatment solutions (ATS) for industrial applications and energy storage solutions (ESS) for residential and commercial applications.</p>	Section 3
What is Aobo's history?	<p>Aobo was established in China in 1999 with an initial business of manufacturing and sales of industrial dehumidifiers. Aobo has gradually developed into an ATS provider and expanded its products offerings and sales beyond China to international markets.</p> <p>Driven by the Company's mission to support a sustainable energy efficient environment, Aobo commenced product research and development in energy storage in 2017 and released its flagship residential energy storage system at new product launch in Australia in October 2018.</p>	Section 3.1
What is Aobo's corporate structure?	Aobo Environmental Technology Limited is the ultimate parent company for the Aobo Group. See Section 12.2 for an organisational chart of the group companies.	Section 12.2
What is Aobo's business?	<p>Aobo operates two business divisions:</p> <ul style="list-style-type: none"> Air Treatment – Aobo provides customised solutions for industrial customers in key end user markets including lithium-ion battery, food, pharmaceuticals and electronics production. These solutions are designed to deliver a specific manufacturing environment to each customer, improve production efficiency, product quality and energy efficiency. These solutions primarily focus on dehumidification and volatile organic compounds (VOC) abatement. In many cases, these solutions require custom air treatment equipment that is integrated directly into customer's production process. Aobo designs, manufactures, distributes, and services air treatment equipment. Energy Storage – Aobo provides solutions to households and commercial customers for efficient storage and use of power. Aobo designs, manufactures and distributes energy storage systems and peripheral products. 	Sections 3.2, 3.3 and 3.4

1. INVESTMENT OVERVIEW

Question	Summary answer	Where to find more information
What are Aobo's products?	<p>Aobo's air treatment products include</p> <ul style="list-style-type: none"> • standard dew point dehumidification units; • low/ultra-low dew point dehumidification units; • mini rotor dehumidifiers; • non-rotor dehumidification units; and • NMP recovery systems. <p>Aobo's energy storage products comprise of energy storage system and lithium-ion power battery packs.</p> <p>Furthermore, Aobo provides maintenance services for air treatment products.</p>	Section 3.2 and 3.3
How does Aobo generate revenue?	<p>Historically, Aobo has generated revenue mainly from the sale of air treatment equipment. It also charges its customers for maintenance services after the conclusion of the product warranty period.</p> <p>Aobo has generated a small proportion of its revenue from energy storage since 2018.</p> <p>Aobo expects the sales of energy storage to increase in the years ahead through current purchases orders and investment of the proceeds from the Offer into its energy storage business.</p>	Section 3.2, 3.3 and 3.4
Who are Aobo's key customers	<p>Customers for air treatment are leading domestic and international companies in food, pharmaceuticals, electronics, and lithium-ion battery production, and project contractors who require the supply of air treatment products to complement their services to their customers.</p> <p>Customers for energy storage include distributors, OEM clients, and project companies.</p>	Section 3.2, 3.3 and 3.4
What is Aobo's growth strategy?	<ul style="list-style-type: none"> • Focus on core market segments and expand the Company's market share in China. • Pursue growth opportunities in niche market segments and different regions. • Expand its energy storage business in Australia and penetrate other international markets. • Capture recurring sales opportunities from services. • Expand production capacity in China and economies of scale. 	Section 3.13
How does Aobo expect to fund its operations?	<p>Historically, Aobo has funded its operations through internally generated cash flow from operations and debt financing. Aobo expects to fund its ongoing operations through cash flow generated from its operations, debt financing and the funds raised under the Offer.</p>	Section 3

1. INVESTMENT OVERVIEW

1.2 KEY RISKS

There are a number of risks associated with an investment in the Company which may affect its operation, financial performance, financial position, cash flows, growth prospects and share price. The following table is a summary of the specific key risks to which the Company is exposed. Further details about these and other general risks associated with an investment in the Company are set out in Section 9.

Risk Factors	Summary answer	Where to find more information
Company-Specific Risk Factors	<ul style="list-style-type: none"> • Increase in the prices of raw materials resulting in lower profitability. • Delays in the supply of materials affecting the Company's production plans and sales. • Loss of existing customers or those customers pushing for lower prices or demand supply of products on less favourable terms to the Company. • Failure to capture new customers or failure to negotiate commercial terms favourable to the Company with new customers. • Relocation of the Company's manufacturing facility if the current lessor is unwilling to renew the lease, the land is expropriated by the government or if construction of the new manufacturing facility is delayed. • Increased competition in the market causing downward pressure on the volume and price of the Company's products. • Failure by the Company to address adverse publicity or other issues including concerns about product quality which negatively impact the Company's brand image and perception of its products and brands. • Loss of senior management or key employees and failure to replace them in a timely manner. • Inability of the Company to meet market needs of its customers. • Inability to raise capital or obtain funding on terms favourable to the Company. • Damage to the Company's brand arising from product defects and failures. • Disruption to manufacturing facilities as a result of equipment failure, natural disasters or new government regulations etc. • Uninsured loss or damage, litigation or business disruption or an increase in insurance premiums. • Failure to meet growth objectives associated with the Company's expansion of its energy storage system business in Australia. 	Section 9.2

1. INVESTMENT OVERVIEW

Risk Factors	Summary answer	Where to find more information
	<ul style="list-style-type: none"> • Failure to implement business strategies or meet future plans due to macroeconomic trends, delays in the delivery of raw materials, labour disputes, compliance with laws and regulations or delays in securing requisite government approvals. • Failure to protect against misappropriation of the Company's intellectual property rights. • Litigation, complaints, claims, disputes, regulatory inquiries or investigations and other enforcement action initiated by customers, employees, regulators or other third parties against the Company. • Currency fluctuations, including depreciation of the RMB against the Australian or US dollars. • Risks associated with debt financing including maintaining cash flow and liquidity, fluctuation of interest rates and asset disposal. • Risks associated with the Company being an emerging market issuer, including implementation of good corporate governance in light of a geographically scattered board of directors and implementing effective internal controls and risk management systems where operations are geographically diverse. 	
Risk relating to operating in the PRC	<ul style="list-style-type: none"> • Uncertainty and unreliability associated with operating within the laws and regulations of the PRC. • Inability of the Company to distribute profits from China for the purpose of paying dividends to shareholders • Aobo being unable to receive the 5% preferential tax treatment under the PRC Enterprise Income Tax Law and the resulting effects on the dividends distributed by operating subsidiaries in China. • PRC government control on convertibility of the RMB into foreign currencies and the remittance of currency out of China. • Refusal by the PRC government to renew the land use right or expropriation of the land prior to the expiration of the term of the current land use right associated with the Company's Chinese operations. • Occurrence of force majeure events including natural disasters and epidemics. • Delays in supply and distribution, cessation of operations due to outbreak or quarantine, the effect of travel restrictions, delays to the construction of the Company's new manufacturing facility and slowed growth in the wider economy associated with the novel coronavirus. 	Section 9.3

1. INVESTMENT OVERVIEW

Risk Factors	Summary answer	Where to find more information
General Investment Risks	<ul style="list-style-type: none"> • Fluctuation in the price of the Shares. • Exposure to negative global economic and business conditions including the US China trade war. • Volatility in the market price of the Shares stopping investors from acquiring more Shares or disposing of Shares they acquire under the Offer. • Dilution of the Shares as a result of further share issues or fundraises. • Changes in accounting standards adversely impacting on the Company's financial performance and position. • Tax reform in Australia or overseas (particularly China) adversely affecting the Company's financial performance or results, the level of dividend imputation or franking and Shareholder returns. • The Company may have insufficient franking credits in the future to fully frank dividends. 	Section 9.4

1.3 KEY FINANCIAL INFORMATION

Question	Summary answer	Where to find more information																																			
What is the Aobo's key financial performance?	<p>A selected summary of Aobo's pro forma historical financial performance is set out below. This should be read in conjunction with more detailed discussion of the Financial Information disclosed in Section 7</p> <table><tr><th></th><th>HY2019</th><th>FY2018</th><th>FY2017</th><th>FY2016</th></tr><tr><th></th><th>\$</th><th>\$</th><th>\$</th><th>\$</th></tr><tr><td>Revenue</td><td>6,198,807</td><td>19,570,815</td><td>16,113,230</td><td>7,341,616</td></tr><tr><td>Gross Profit</td><td>2,203,454</td><td>8,262,405</td><td>6,255,475</td><td>2,678,777</td></tr><tr><td>EBITDA</td><td>461,853</td><td>5,638,005</td><td>4,386,653</td><td>1,248,016</td></tr><tr><td>EBIT</td><td>282,162</td><td>5,403,915</td><td>4,340,502</td><td>1,021,104</td></tr><tr><td>NPAT</td><td>212,038</td><td>4,673,901</td><td>3,638,969</td><td>906,839</td></tr></table>		HY2019	FY2018	FY2017	FY2016		\$	\$	\$	\$	Revenue	6,198,807	19,570,815	16,113,230	7,341,616	Gross Profit	2,203,454	8,262,405	6,255,475	2,678,777	EBITDA	461,853	5,638,005	4,386,653	1,248,016	EBIT	282,162	5,403,915	4,340,502	1,021,104	NPAT	212,038	4,673,901	3,638,969	906,839	Sections 7 and 8
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1. INVESTMENT OVERVIEW

Question	Summary answer	Where to find more information																																								
What is Aobo’s financial position before and at Completion of the Offer?	<p>Aobo’s financial position before and at the Completion of the Offer is set out below:</p> <table><tr><th>As at 30 June 2019</th><th>Reviewed \$</th><th>Pro forma (Minimum) \$</th><th>Pro forma (Maximum) \$</th></tr><tr><td>Assets</td><td></td><td></td><td></td></tr><tr><td>Total current assets</td><td>20,766,963</td><td>21,251,396</td><td>25,438,611</td></tr><tr><td>Total non-current assets</td><td>3,082,586</td><td>3,082,586</td><td>3,082,586</td></tr><tr><td>Total assets</td><td>23,849,549</td><td>24,333,982</td><td>28,521,197</td></tr><tr><td>Liabilities</td><td></td><td></td><td></td></tr><tr><td>Total current liabilities</td><td>12,612,409</td><td>12,612,409</td><td>12,612,409</td></tr><tr><td>Total non-current liabilities</td><td>43,969</td><td>43,969</td><td>43,969</td></tr><tr><td>Total liabilities</td><td>12,656,378</td><td>12,656,378</td><td>12,656,378</td></tr><tr><td>Net assets</td><td>11,193,171</td><td>11,677,604</td><td>15,864,819</td></tr></table>	As at 30 June 2019	Reviewed \$	Pro forma (Minimum) \$	Pro forma (Maximum) \$	Assets				Total current assets	20,766,963	21,251,396	25,438,611	Total non-current assets	3,082,586	3,082,586	3,082,586	Total assets	23,849,549	24,333,982	28,521,197	Liabilities				Total current liabilities	12,612,409	12,612,409	12,612,409	Total non-current liabilities	43,969	43,969	43,969	Total liabilities	12,656,378	12,656,378	12,656,378	Net assets	11,193,171	11,677,604	15,864,819	Section 7 and 8
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Are there any forecasts of future earnings?	Given the inherent uncertainties around forecasting financial information, the Board has elected not to include forecast financial information in this Prospectus.	Section 7																																								
What is the Company’s dividend policy?	The Company does not intend to pay dividends for the financial year ending 31 December 2020 as the Company considers that its energy storage business is in its expansion stage for the first two years after listing and thus may need to utilise all available funds for its business activities. Any future determination as to the payment of dividends by the Company will depend on a variety of factors such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements, general business and other factors considered relevant by the Directors.	Section 3.11																																								

1. INVESTMENT OVERVIEW

1.4 DIRECTORS AND SENIOR MANAGEMENT

Question	Summary answer	Where to find more information
Who are the directors?	<ul style="list-style-type: none"> • Andrew Smith, Independent Non-Executive Chairman • Zhang Jiangang, Executive Director and Chief Executive Officer • Hon. Andrew Thomson, Independent Non-Executive Director • Brendan Connell, Independent Non-Executive Director 	Sections 5.1 and 5.2
Who are the senior management?	<ul style="list-style-type: none"> • Zhang Jiangang, Chief Executive Officer • Qian Jin, Finance Manager • Mu Xianhong, Head of Human Resources and Administration • Zhang Hao, Head of Sales for ATS • Cheng Zhixing, Manager of ESS 	Section 5.3
How will the Company comply with the Corporations Act and other corporate governance policies?	<p>Most of the Company's Directors are experienced in the management and administration of listed companies and have a general working knowledge of the laws and regulations affecting public companies in Australia.</p> <p>Further information on the Company's corporate governance policies and practices are set out at Section 5.</p>	Section 5

1.5 SIGNIFICANT INTERESTS AND BENEFITS OF KEY PEOPLE

Question	Summary answer	Where to find more information
What are the Directors' current holdings in the Company?	<p>Mr Zhang Jiangang has a direct interest in 38,000,000 Shares in the Company as at the date of this Prospectus.</p> <p>The other Directors do not hold any Shares in the Company as at the date of this Prospectus.</p>	Section 4.8
What significant benefits and interests are payable to Directors and other persons connected with Aobo or the Offer?	<p>The Directors are entitled to remuneration and fees on commercial terms as disclosed in Section 5.4 and may also subscribe for Shares through the Offer.</p> <p>Advisers and other service providers are entitled to fees for services as disclosed in Section 5.4.</p>	Section 5.4

1.6 USE OF PROCEEDS

The table below sets out the proposed use of Proceeds based on the Minimum Subscription and Maximum Subscription.

1. INVESTMENT OVERVIEW

Use of Proceeds	Minimum Subscription		Maximum Subscription	
	\$	%	\$	%
Construction costs of new manufacturing facility in Wuxi ¹	Nil	Nil	3,000,000	60.0%
Sales and marketing costs for energy storage business expansion in Australia ²	484,433	60.6%	1,671,648	33.4%
Costs of the Offer to be paid out of proceeds raised	315,567	39.4%	328,352	6.6%
Total	800,000	100%	5,000,000	100%

Note:

- 1 Please refer to section 3.6(c) and 11.3 for details of construction of a new manufacturing facility in Wuxi. The construction costs are RMB32.5million (approximately \$6.9million). Part of the construction costs were already funded by Aobo and does not form use of proceeds.
- 2 Sale and marketing costs include recruitment of additional sales staff in Australia, marketing campaign costs and other associated business development costs for the energy storage business.

The proposed use of proceeds described above represents the Company's current intentions based upon its present plans and business conditions. The amounts and timing of the actual expenditures may vary and will depend upon numerous factors, including the timing and success of the Company's development activities.

1.7 CAPITAL STRUCTURE

The table below sets out the interests of existing shareholders on completion of the Offer. The table does not reflect any Shares which the relevant Shareholders may subscribe for under the Offer.

Shareholders	Minimum Subscription		Maximum Subscription	
	Number of Shares	%	Number of Shares	%
Zhang Jiangang	38,000,000	19.67%	38,000,000	18.10%
Mu Xianhong ¹	51,300,000	26.55%	51,300,000	24.43%
Zhang Feng ²	28,348,000	14.67%	28,348,000	13.50%
Zhang Jie	19,608,000	10.15%	19,608,000	9.34%
Lu Jialiang	8,531,000	4.42%	8,531,000	4.06%
Anxin Management Consulting Co.,Ltd	7,448,000	3.86%	7,448,000	3.55%
Wu Yacheng	6,156,000	3.19%	6,156,000	2.93%
Xue Dan	5,472,000	2.83%	5,472,000	2.61%
Zhang Aijun	4,417,440	2.29%	4,417,440	2.10%
Zhang Xiaoling	4,351,000	2.25%	4,351,000	2.07%
Shen Jie	4,351,000	2.25%	4,351,000	2.07%
Zhao Chunmei	3,557,960	1.84%	3,557,960	1.69%
Zhou Ziniu	2,945,000	1.52%	2,945,000	1.40%
Gu Jian	2,185,000	1.13%	2,185,000	1.04%
Yang Rong	2,185,000	1.13%	2,185,000	1.04%
Chen Ruixian	1,144,600	0.59%	1,144,600	0.55%
Shares on issue as at date of Prospectus	190,000,000	98.34%	190,000,000	90.48%
Shares being offered under this Prospectus	3,200,000	1.66%	20,000,000	9.52%
Total	193,200,000	100.00%	210,000,000	100.00%

Note:

- 1 Mu Xianhong is Zhang Jiangang's wife
- 2 Zhang Feng is Zhang Jiangang's niece

1. INVESTMENT OVERVIEW

1.8 OVERVIEW OF THE OFFER

Question	Summary answer	Where to find more information
Who is the issuer of this Prospectus	Aobo Environmental Technology Limited (ACN 633 117 807) is a public company registered in Victoria Australia on 29 April 2019.	Section 12.1
What is the Offer?	The Offer is an initial public offering of up to 20,000,000 shares at an issue price of \$0.25 per Share to raise up to \$5,000,000 (the Maximum Subscription). The Offer is subject to a minimum issue of 3,200,000 shares at an offer price of \$0.25 per share to raise \$800,000 (Minimum Subscription). All Shares being offered under the Offer will rank equally with each other and will also rank equally with existing Shares on issue.	Section 4.1
What is the Offer Price?	The Offer Price is \$0.25 per Share	Section 4.1
Is the Offer underwritten?	The Offer is not underwritten.	Section 4.1
What are the terms of the Shares?	The rights and liabilities attaching to the Shares are described at Section 12.3.	Section 12.3
Will the Company be adequately funded after Completion of the Offer?	The Directors are satisfied that the Company's working capital will be sufficient to fund the Company's business objectives.	Section 3.14
Will the Shares be quoted on the NSX?	The Company has applied to the NSX on the date of this Prospectus for official quotation of all of its Shares (including Shares issued under this Prospectus) on NSX under the ticker AB9.	Section 4.12
Are there any restrictions on Shares under the Offer?	No Shares issued under the Offer will be subject to escrow.	Section 4.17
What escrow arrangements are in place?	The NSX may classify certain securities as being subject to the restricted securities provisions of the Listing Rules. In particular, Directors, other related parties and promoters may receive escrow on securities held by them for up to 24 months from the date of quotation of the Company's Shares on NSX.	Section 4.17
What is the minimum investment amount under the Offer?	Applications must be for a minimum of 8,000 Shares (\$2,000) and thereafter in multiples of 2,000 Shares (\$500).	Section 4.6

1. INVESTMENT OVERVIEW

Question	Summary answer	Where to find more information
What is the allocation policy?	The allocation of Shares will be determined by the Company. It reserves the right in its absolute discretion to issue no Shares to Applicants under the Offer and may reject any Application or allocate a lesser number of Shares than those applied for at its absolute discretion.	Section 4.10
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty should be payable by Applicants on acquisition of Shares under the Offer.	Section 4.3
What is the purpose of the Offer?	<p>The Offer is being conducted to provide Aobo with:</p> <ul style="list-style-type: none"> • funding to advance its business objectives as set out in this Prospectus • a liquid market for its Shares and an opportunity for others to invest in Aobo • additional financial flexibility and access to capital markets; and • the benefits of an increased public profile arising from being listed on the NSX. 	
Why is Aobo listing in Australia?	Aobo is choosing to apply to list on the NSX as an important step to further expand its business (in particular energy storage system) in Australia. Currently Aobo distributes ATS products and energy storage system in Australia. Listing on NSX will differentiate Aobo from its competitors and enhance its competitive edge, as well as bring the Company benefits of an increased public profile.	
How do I apply for Shares?	Applications can be made online at www.registrydirect.com.au/offering/aobo or by completing a valid Application Form attached to or accompanying this Prospectus.	Section 4.3
When will I know if my Application was successful?	A holding statement confirming your allocation under the Offer will be sent to you if your Application is successful. Holding statements are expected to be issued on or about 23 April 2020.	Section 4.13
Can the Offer be withdrawn	<p>The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants.</p> <p>If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</p>	Section 4.11

1. INVESTMENT OVERVIEW

Question	Summary answer	Where to find more information
Contact details	For further contact details, please see the Corporate Directory at the back of this Prospectus.	Corporate directory

1.9 ADDITIONAL INFORMATION

Question	Summary answer	Where to find more information
What are the tax implications of investing in the Shares?	Section 10 provides a general summary of the potential Australian tax implications of participating in the Offer. However, the taxation implications of investing in Shares will depend on each investor's individual circumstances. Investors should seek their own tax advice prior to investing in Shares.	Section 10
Where can I find additional information?	<p>If you have any questions about this Company or the Prospectus, please contact (03) 9645 8001. If you have any questions about how to apply for Shares, please call the Share Registry on 1300 55 6635 from 8.30am to 5.30pm (AEST), Monday to Friday (excluding Victorian public holidays) or email registry@registrydirect.com.au</p> <p>If you are unclear or uncertain as to whether Aobo is a suitable investment for you, you should seek professional guidance from your lawyer, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest in Shares.</p>	Section 4



2. INDUSTRY OVERVIEW

2. INDUSTRY OVERVIEW

2.1 INTRODUCTION

Aobo operates two business divisions: Air Treatment Solutions (ATS) and Energy Storage Solutions (ESS). ATS provides custom air treatment solutions for industrial applications. Aobo's ATS primarily focus on dehumidification and volatile organic compounds (VOC) abatement in particular N-Methyl-Pyrrolidinone (NMP) recovery. ESS provides energy storage solutions for residential and commercial applications.

Business divisions	End market
Air treatment	Food
	Pharmaceuticals
	Lithium-ion batteries
	Electronics
	Other industrials
Energy storage	Residential
	Commercial

Examples of air treatment applications are set out below:

- Lithium battery production – Precision air control is critical for performance and safety with respect to lithium battery production. Dehumidification in the production process is essential because humidity levels have a negative impact on the performance and lifetime of lithium batteries, and water vapour can increase the risk of fire with respect to the lithium-ion used in the production process. Moreover, a large amount of NMP solvent is used in lithium battery production. Since NMP-laden dryer exhaust emitted into the air will cause air pollution, the NMP must be removed from the exhaust. NMP is also an expensive solvent, and the recovery and recycling of NMP lead to a reduction of running costs.
- Food processing and production – Moisture control and precision control over condensation is critical for safety, sanitisation and quality control with respect to food processing and the production of certain food products. Dehumidification in food processing facilities is essential to reduce and control condensation and unwanted moisture that forms on equipment, floors, ceilings and walls and can lead to food contamination and non-compliance with strict hygienic requirements. In addition, dehumidification is essential in the production of certain foods, such as chocolate and confectionary goods, where humidity levels can cause surface blemishes or cause products to become sticky.
- Pharmaceutical production – Dehumidification is critical across the supply chain of pharmaceutical products, including in production facilities, warehouses and transport. Many pharmaceuticals are sensitive to the effects of excess humidity, and moisture levels can have a negative impact on the quality and shelf life of powders, tablets, capsules and diagnostic strips. In addition, strict manufacturing standards, particularly with respect to humidity levels, require precision moisture control.

2.2 AIR TREATMENT

The Air treatment industry in China has a primary focus on industrial applications although commercial and residential applications are increasing. In 2017, the overall market size of China air treatment industry (excluding automobile exhaust treatment) was valued at RMB95.1billion (approximately \$20.3 billion), of which industrial applications were RMB68billion (approximately

2. INDUSTRY OVERVIEW

\$14.5 billion) accounting for 71.5%. The industrial air treatment market is comprised of end markets that require air control solutions, such as dehumidification, and VOC abatement. Since 2004, the State Council and other Ministries of China issued more than 30 relevant policies to regulate and support the growth of the air treatment industry.

The following structural drivers across Aobo's end markets are expected to support long-term sustainable growth of the air treatment industry

- Energy efficiency – there has been an increasing focus on energy efficiency and reduction of adverse environmental footprint;
- Quality and productivity – increasing quality standards and competitive pressures in customers' end markets underpin the need for solutions that drive higher efficiency and throughput, lower rejection rates and increased shelf lives;
- Food safety – consumers' increased focus on food safety drives the demand for air control solutions that ensure a hygienic environment for food processing and production
- Increasing regulation – there has been increasing regulations on environmental standards, food and pharmaceuticals safety and quality, which drives the need for air treatment in industrial applications.

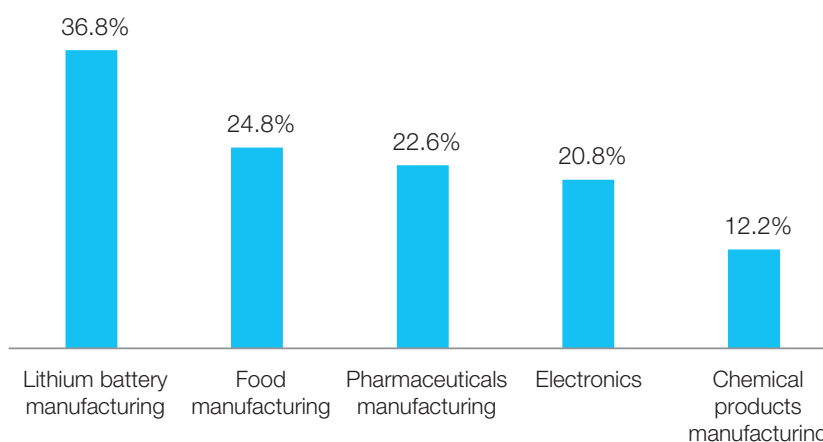
2.2.1 Growth Drivers

Key drivers of growth include:

- (a) Government policies. The Chinese Government has promulgated a series of regulations to combat air pollution and reduce the level of emissions in recent years. Moreover, the Government has driven GMP certification of pharmaceutical manufacturers, encouraged the growth of lithium-ion battery and integrated semiconductor industries, and implemented more strict quality standards for food industries. Those policies are in favour of the growth of air treatment industry, in particular, the demand for comprehensive dehumidification and VOC abatement solution.
- (b) Technological advance. Air control technologies have advanced significantly in recent years. There is increasing penetration of advanced air control technologies, which is underpinned by customers' efforts to comply with regulations and industry standards and to improve their production, operating and energy efficiency and the quality of their products. For example, adoption of more efficient dehumidification technology (desiccant dehumidification versus compressor-based dehumidification) by food manufacturers is expected to drive near-term market growth, particularly with respect to food manufacturers with specific applications, such as spray drying (process for producing dry powders), where desiccant dehumidification can increase quality and efficiency but has a low penetration rate.
- (c) Growth in downstream industries. Aobo provides air treatment solutions to customers that operate in industries, such as food or pharmaceuticals or lithium-ion battery manufacturing, which serve fundamental human needs. Market conditions and prospects of those industries and hence capital investment into those industries directly affect demand for air treatment products. These end markets are expected to demonstrate stable underlying growth that is driven by overall population and GDP growth, industrialisation and improving global standards of living.

2. INDUSTRY OVERVIEW

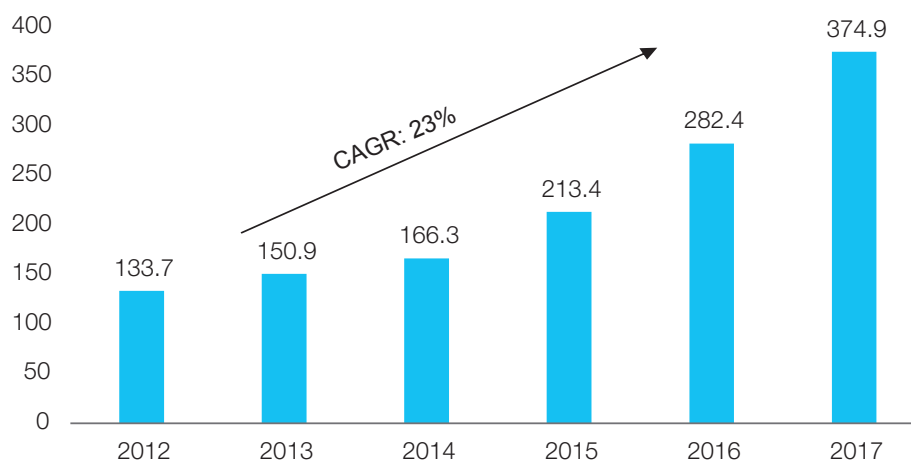
Figure 2.1 CAGR of capital investment in main downstream industries (2011-2017)



Source: GEP Research

Aobo generates significant amount of revenue from lithium-ion battery manufacturers. The lithium-ion battery end market has been growing over recent years, driven primarily by an increase in the manufacturing of electric vehicles and an increase in off-grid energy storage.

Figure 2.2 Lithium-ion battery industry sales in China (2012-2017) (in RMB Billion)



Source: Ministry of Environmental Protection, Bureau of statistics, and GEP research

2.2.2 Barriers to Entry

The following are considered to be the major barriers of entry to companies wishing to enter the air treatment industry:

- Technology know-how. Air treatment solutions are technology-intensive and require comprehensive knowledge not only in air control technology, but a thorough understanding of customer applications, and their manufacturing process and technique.
- Capital investment. Initial investment in manufacturing facilities, working capital, product development and marketing and sales are required.
- Track records of project experience. In most cases, customers will select suppliers of air

2. INDUSTRY OVERVIEW

treatment solutions based on a number of important criteria including track records of successful experience. It forms a major entry barrier for new entrants into the industry.

- Long-term customer relationship. Given the nature of customised solutions and after-sales service, customers are often “sticky” to the business relationship. As such, customer relationships are generally strong and long-term if the customer is satisfied with the supplier’s performance.

2.2.3 Competition

The air treatment industry in China is fragmented with multinational companies and Chinese domestic companies many of which are small and medium sized companies. Leveraging on their long corporate history and global footprint, multinational companies tend to have larger business operation and greater financial and technical resources than the Company.

2.3 AUSTRALIAN ENERGY STORAGE MARKET

2.3.1 Introduction

Energy storage refers to a wide range of technologies that have the ability to store energy produced at one time for use at a later time. In general, current technologies include electrochemical such as batteries, mechanical, chemical, and thermal energy storage. These technologies can be applied at various scales, from residential applications to utility-scale. In Australia, the market for solar energy storage is primarily for household battery technologies to complement solar photovoltaic installations, although the market for large-scale energy storage is growing². Lithium-ion batteries are commonly used for energy storage in Australia although there are other types of batteries available for the same purpose. Bloomberg New Energy Finance estimates that solar batteries will be the dominant form of battery storage by 2020.

2.3.2 Market Size

A report by SunWiz in February 2017 found 70% of home-owners with rooftop solar installations would like to install batteries, although it was reported only 5% of new solar sales have storage. There are currently more than 1.7 million homes with solar panel installations in Australia.

Since there is no national register of energy storage system in Australia, it is difficult to estimate the number of energy storage systems installed. However, based on surveys and interviews, it is estimated by Smart Energy Council that 25,000 battery storage systems were installed in Australia from 2010 to 2015, and 7,500 and 20,000 systems were installed in 2016 and 2017 respectively. Battery energy storage system installations were relatively stable from 2010 to 2015. These were probably largely off-grid systems. There was a substantial rise in installations in 2016 (mostly in the second half of 2016) as the price of lithium-ion batteries fell and new battery storage companies entered the Australian market. Australia has now installed more lithium-ion batteries, per capita, than any other country³.

² Australian energy storage market analysis September 2018 published by Smart Energy Council

³ <https://www.theage.com.au/business/the-economy/energy-storage-must-be-at-heart-of-our-future-grid-alan-finkel-says-20180706-p4zpxp.html>

2. INDUSTRY OVERVIEW

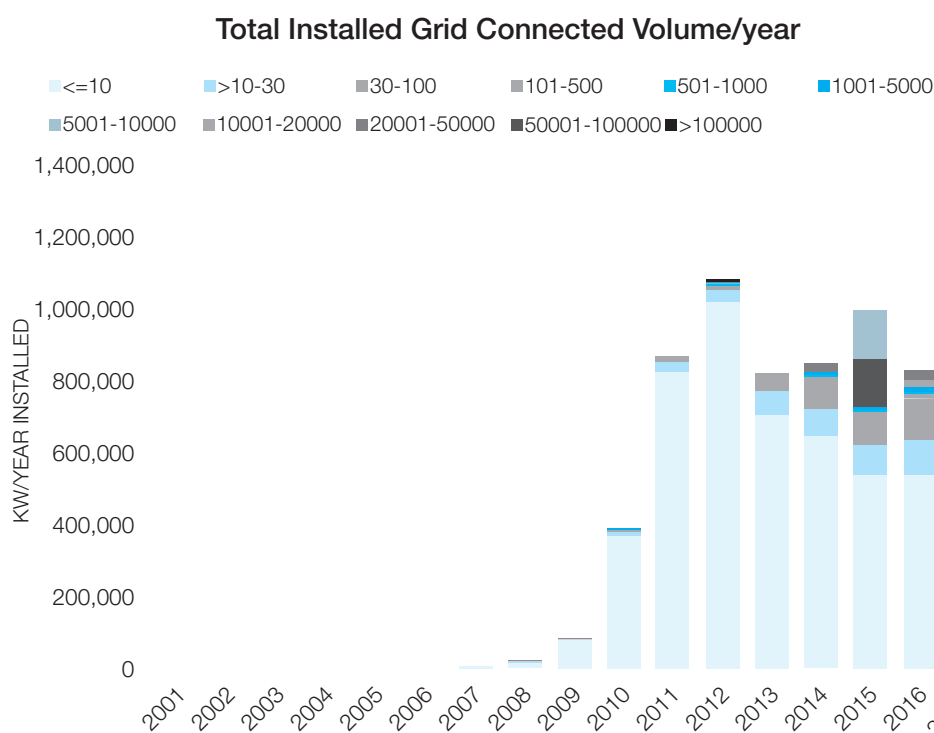
2.3.3 Key drivers of growth

(a) Growth of the solar market

The energy storage market in Australia is closely linked to the solar market, as households and businesses seek to add value to their solar systems by installing battery storage to increase the use of rooftop-generated solar. There was an unexpected boom in 2017. There are currently more than 1.7 million solar PV installations in Australia, with a combined capacity of 6 GW. It is estimated by Energy Networks Australia that solar capacity could almost double by 2020.

Based on a comprehensive survey and interviews with energy storage market participants conducted by Smart Energy Council, it is estimated that at least 50% of battery storage installations are retrofitted to existing solar installations.

Figure 2.3: Australian PV installations from 2001 to 2017⁴



(b) Increase in electricity prices

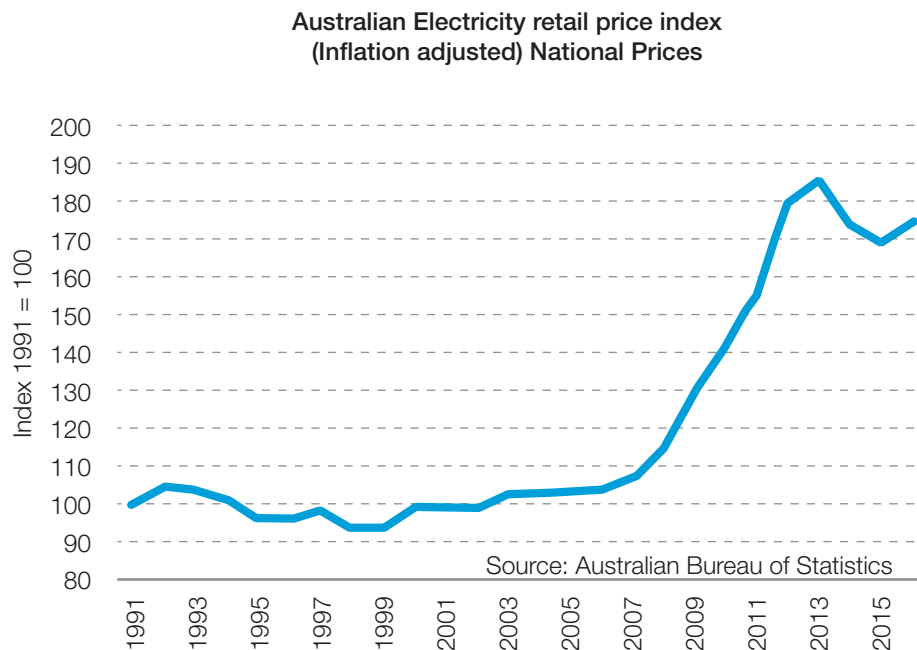
Australian retail electricity prices have increased by approximately 63 percent since 2008. Residents and small businesses with existing solar installations will look to store the solar power they are producing, thus reducing their power bills. Residents and businesses will also require back up power and resilience in the event of blackouts.

The rise in energy costs has caused there to be an upward demand for solar installations by small commercial businesses in Australia where roof top facilities are available. It has been widely reported in the media that the viability of small businesses is under threat because of the rising cost of power.

⁴ Source: www.apvi.org.au

2. INDUSTRY OVERVIEW

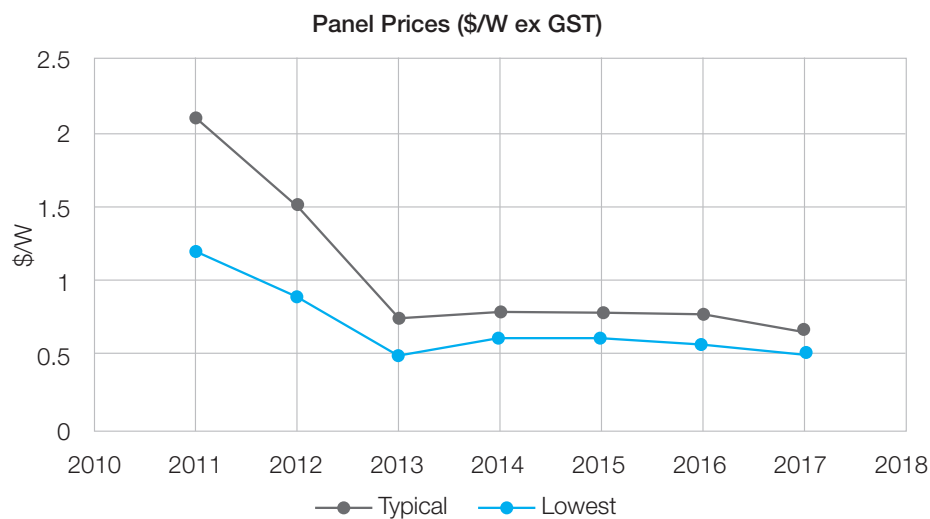
Figure 2.4: Australian electricity price from 1991 to 2015⁵



(c) The price of solar and energy storage system

There has been a commensurate reduction in the costs of solar panels and lithium batteries because of technology advancement and economics of scale. The economics of energy storage are increasingly attractive to households and business.

Figure 2.5: prices of solar panels⁶



⁵ Vector's annual results presentation for FY 2017

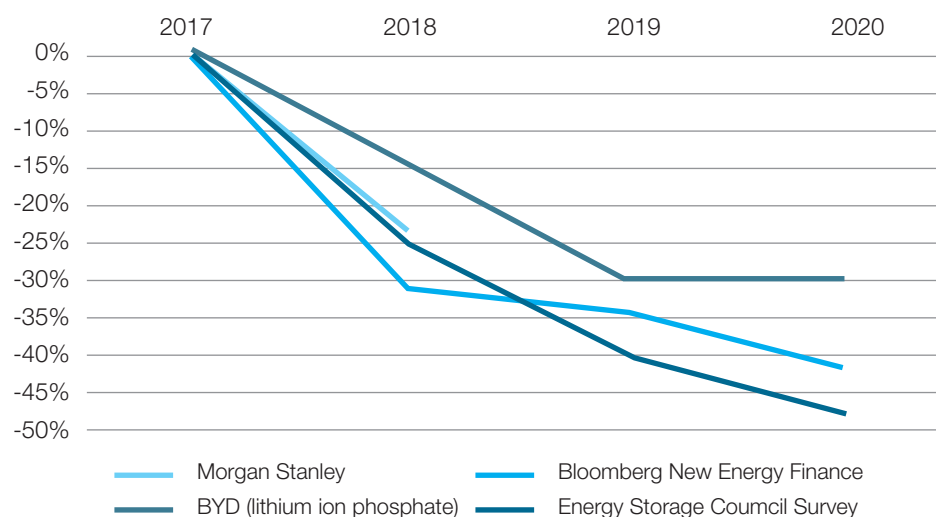
⁶ National survey report of photovoltaic applications in Australia 2017

2. INDUSTRY OVERVIEW

Figure 2.6: prices of lithium-ion battery storage system and forecast⁷

LITHIUM-ION BATTERY STORAGE SYSTEM PRICE FORECASTS

Forecast battery price decreases, 2017-2020



(d) Government policies

As with renewable energy, Federal and State Government policies and programs are critically important in driving investment in energy storage. The ACT, South Australia, Queensland and Victoria are currently leading the way in terms of policy support.

The Finkel Review (the Independent Review into the Future Security of the National Electricity Market, June 2017) made a significant contribution to the development of energy policy in Australia, with many of its recommendations relevant to the future of energy storage in Australia. The Finkel Review states “battery storage is poised to be the next major consumer-driven deployment of energy technology.

2.3.4 Outlook of energy storage system in Australia

There is no consensus regarding the likely number of energy storage installations between 2018 and 2020. CSIRO and Energy Networks Australia estimated that 1.5 million battery energy storage system could be installed by 2020. Morgan Stanley forecasts that by 2020 the battery energy storage market will be 1 million homes, though in its higher estimate that is up to 2 million homes⁸. The Smart Energy Council estimates that there are likely to be 150,000 to 450,000 battery storage systems installed in Australia by 2020⁹.

2.3.5 Competition

Aobo competes with large international companies such as Tesla, LG, Australian local manufacturers including Redflow, and overseas manufacturers in the Australian battery energy storage market. The directors believe that competition is based on brand reputation, costs, product quality and reliability, and after-sales service. Many of large international companies have greater resources than the Company.

⁷ Australian energy storage market analysis, September 2018

⁸ <https://reneweconomy.com.au/morgan-stanley-battery-storage-grow-four-times-quicker-market-thinks-60277/>

⁹ Australian energy storage market analysis, September 2018



3. COMPANY OVERVIEW

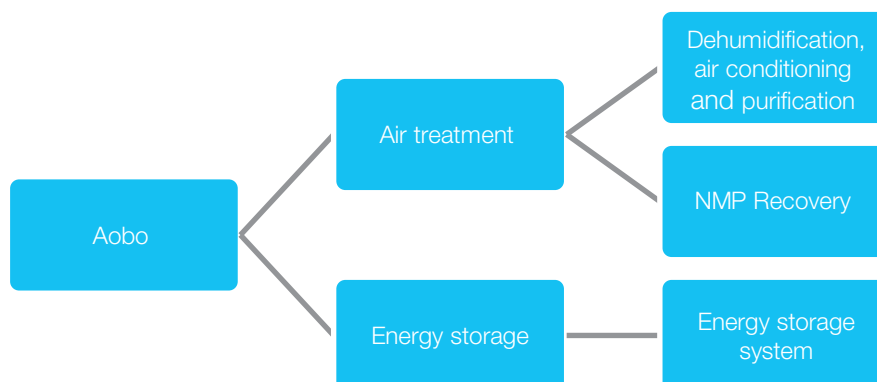
3. COMPANY OVERVIEW

3.1 INTRODUCTION

Aobo is in the business of energy efficient environmental solutions. Aobo provides Air Treatment Solutions for industrial applications and Energy Storage Solutions for residential and commercial applications. Aobo's mission is "Our Environment, Our Energy, Our Future".

Established in 1999 in China, Aobo leverages its design and engineering expertise coupled with application experience to offer customised air treatment solutions for industrial customers in key end markets such as food, pharmaceuticals, lithium-ion batteries and electronics production. The air treatment solutions primarily focus on dehumidification and VOC abatement in particular NMP recovery. The air treatment solutions are designed to improve production efficiency, product quality and energy efficiency, and have a director impact on the success and operations of the customers' businesses. In most cases, these solutions include custom equipment that is integrated directly into customer production processes.

Growing worldwide awareness of environmental issues has led to increasing demand for renewable energy such as solar energy. Driven by the Company's mission to support a sustainable energy efficient environment, Aobo launched ESS business in 2018 and developed energy storage products. The key concepts are to store energy effectively and to use energy wisely. Aobo released its flagship residential energy storage system in Australia in October 2018. By using energy storage system, solar power can be stored for later use at times when solar generation is not available, electricity prices are higher or there is a power cut.



The table below gives a brief history of the Aobo Group.

Year	Event
1999	<ul style="list-style-type: none"> AENWX founded in Wuxi City, China and commenced manufacturing and sale of industrial dehumidifiers AENWX sold the first dehumidifier to Johnson & Johnson (Shanghai) Medical Devices Company
2003	Developed the new low and Ultra-low dew point dehumidification unit
2006	ISO9001:2015 Quality Management System Accreditation
2007	Developed NMP Recovery System and install the first NMP recovery system at a lithium-ion battery manufacturing company
2010s	Sold products to markets outside China including Japan, Israel, Taiwan, South Korea, Argentina, France, Malaysia, the Philippines, UK and Germany.
2012	Awarded High and New Tech Enterprise Certification in China
2017	Commenced product research and development of energy storage system products

3. COMPANY OVERVIEW

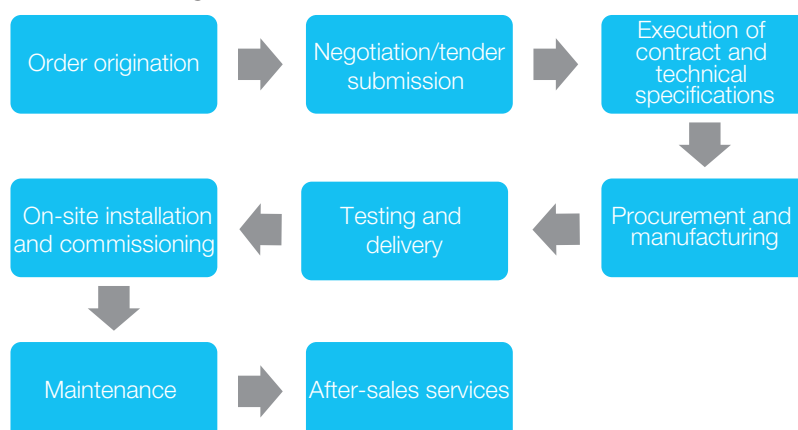
Year	Event
2018	<ul style="list-style-type: none"> Aobo's operating subsidiary in China changed its name from Wuxi Aobo Purifying and Dehumidifying Air Conditioner Co.,Ltd to Aobo Environmental New Energy (Wuxi) Co.,Ltd Completed a landmark dehumidification project for a Queensland based health supplements manufacturer and sold 22 units mini rotor dehumidifier to a carpet cleaning company in South Australia Held a product launch for the energy storage systems in October in Melbourne, Sydney and Brisbane and released Aobo brand solar energy storage systems in Australia Energy storage system are tested by customers in Australia
2019	<ul style="list-style-type: none"> Became a member of Australian Clean Energy Council (CEC) Membership and Smart Energy Council Aobo energy storage systems accepted and listed as approved energy storage products by CEC Obtained international certifications for its energy storage system Developed new products including All-In-One energy storage system Received an aggregate \$2.5 million of purchase orders from customers in Australia and South Africa, and sold energy storage system on a small scale to France and Vietnam for customer trials Appointed distributors in Australia for both ATS products and energy storage systems

3.2 AIR TREATMENT SOLUTION

Aobo designs, manufactures and sells custom air treatment equipment, and provides maintenance services. Aobo's air treatment solution primarily focuses on dehumidification and NMP recovery in combination with other air control functions such as cooling, air purification. Aobo's air treatment products are mainly sold to domestic and multinational companies in China, and internationally including Australia, the USA, Japan, Israel, Taiwan, South Korea, Argentina, France, Malaysia, the Philippines, UK and Germany.

(a) Business model

Figure 3.2: Air treatment business flow



3. COMPANY OVERVIEW

Order origination

Orders are originated through Aobo's direct sales and marketing activities, independent agents or open tenders. For more information on ATS sales and marketing, please refer to Section 3.2(e). As the products are customised, the sales team seek to understand the requirements and technical specifications of potential customers through initial discussion.

Negotiation/tender submission

Further rounds of discussions with potential customers take place with a view to finalise the specifications, requirements, engineering design, and the contract, or prepare and deliver tender submissions in case of a bidding process.

Execution of contract and technical specifications

If Aobo wins an order, a contract is entered into with the customer along with technical specifications. Generally, Aobo enters into a contract with its customer on an order basis.

Procurement and manufacturing

According to products specifications and customer's requirements, raw materials are purchased, and parts and components are either manufactured in-house or procured. Parts and components are integrated and assembled in-house.

Testing and delivery

Upon completion of the manufacturing process, products are subject to in-house inspection and testing, and in some cases preliminary inspection by customers, before packaging and delivery. Aobo is generally responsible for product delivery to the site as designated by customers or to the Chinese port agreed in contract for international orders. Aobo engages independent logistics service provider for delivery.

On-site installation and commissioning

During on-site installation process, Aobo generally offers training, technical advice and supervision to ensure that products are correctly installed and in accordance with all relevant specifications and standards. Subject to satisfactory on-site installation and commissioning of products, customers will confirm acceptance of products, which typically marks the commencement of the warranty period where Aobo is obligated to provide maintenance services.

Maintenance





Aobo is generally required to provide technical consultation, maintenance and emergency services to ensure smooth operation of its products during the warranty period which is normally 12 months.

After-sales services


After-sales services, consisting of spare parts supply, repair and replacement, and on-site maintenance, are provided to customers free of charge during the warranty period unless products defaults are caused by customers. After expiry of the warranty period, after-sales services will generally be provided to customers at an agreed fee. With its technical and engineering expertise, Aobo believes that its ability to provide timely and responsive after-sales services could help enhance the level of customers' satisfaction and hence further strengthen business relationship with them.

3. COMPANY OVERVIEW

(b) Aobo's air treatment products

Product	Description	Photo
Standard dew point dehumidification unit	<ul style="list-style-type: none"> • Uses desiccant rotor technology to control indoor humidity level. • Other air treatment functions, such as cooling and air purification, may be provided depending on the individual customer's requirements. • High-performance and energy-saving. • Applicable in industries where humidity requirement is between -20°C and 10°C. 	
Low/ultra-low dew point dehumidification unit	<ul style="list-style-type: none"> • Uses desiccant rotor technology • Dew point can reach up to -70°C • Combined with cooling, air purification and other air conditioning functions. • High-performance and energy-saving. • Applicable in lithium-ion batteries and electronics manufacturing with extremely high humidity requirements. 	
Mini rotor dehumidifier	<ul style="list-style-type: none"> • Suited to water and fire damage restoration operations as well as archives, waterworks and the construction industry. • Easy to stack and transport. • Light weight. 	
Non-rotor dehumidification unit	<ul style="list-style-type: none"> • Uses heat pipe heat exchange principles. • Less energy consumption compared to desiccant rotor technology. • Normally used in food manufacturing such as sugar, milk powder and coffee production where there is a need to control the humidity in the air. 	

3. COMPANY OVERVIEW

Product	Description	Photo
NMP recovery system	<ul style="list-style-type: none"> The system is designed to recover N-Methyl-Pyrrolidinone (NMP) from the dryer exhaust produced during the manufacturing process of lithium-ion battery electrodes, as NMP-laden dryer exhaust emitted into the air causes air pollution. The system recovers and recycles of NMP, leading to a reduction of operation costs because NMP is an expensive solvent. 	

(c) Customers

Aobo's ATS customers are domestic and international companies in food, pharmaceutical, lithium-ion battery and electronics production. In recent years, Aobo has generated a significant proportion of its revenue from companies that manufactures lithium-ion batteries in China. For example, approximately 65.2% of Aobo's revenue in 2018 is from lithium-ion batteries manufacturing industry.

Aobo's customers also include project contractors who outsource supply of ATS products to Aobo and distributors.

Many of Aobo's customers are leading players in their respective industries.

(d) Sales and marketing

Sales opportunities are identified mainly through tender information, agent referral and direct sales and marketing activities. A key role of the sales team is to identify customer needs, requirements, and areas of opportunity for air treatment solutions. The ATS products are mainly sold in China and also exported to international markets including Australia, the USA, Japan, Israel, Taiwan, South Korea, Argentina, France, Malaysia, the Philippines, UK and Germany. Aobo has appointed a sales agent in Australia in 2019.

Online platforms, such as Alibaba.com, are also used to generate export opportunities.

Furthermore, Aobo actively exhibits at industry related exhibitions to generate sales opportunities, such as China Lithium-ion Battery New Energy Fair in 2018, 2016, 2014 and 2012.

(e) Dehumidification is widely used in Lithium-ion battery manufacturing

In 2003, Aobo made its first dehumidification installation for an international lithium battery company in China. It turned out to be the first of many installations at lithium battery manufacturers. The manufacturing process of lithium batteries demands one of the highest humidity controls in any market. The humidity must be under 1% relative humidity for the lithium not to be affected. High humidity levels during the production process can cause the lithium to react and transform into lithium hydroxide and hydrogen. As a result, the quality, performance, and durability will deteriorate significantly and the risk of fire increases if the lithium batteries come into contact with moisture. It is not possible to manufacture lithium without humidity control.

3. COMPANY OVERVIEW

To avoid moisture issues, dehumidification equipment is installed in production rooms. Production rooms are in effect clean rooms where the ventilation is being mixed with return air and treated by the dehumidifier so that both temperature and humidity are being controlled by the same unit. Aobo has the knowledge to do these installations in a way that also is energy efficient.

3.3 ENERGY STORAGE SOLUTION

Aobo designs, manufactures and distributes energy storage system and peripheral products.

(a) Business model



Figure 3.3: Energy storage business flow



- Aobo has an in-house product design and development team which consists of professionals who are highly qualified and experienced in energy storage.
- Orders are accepted by either AENWX or the Company's Australian subsidiary, Aobo New Energy Pty Ltd, for Australian customers. The process to secure commercial orders typically involves a product trial and testing. In most cases this is a pre-requisite of the customer procurement process. In these instances, commercial engagement and eventual purchase will not usually take place until a successful trial has been completed.
- Procurement and manufacturing take place in China. Aobo procures lithium-ion batteries, the key component, from some of its lithium-ion battery manufacturer customers, and outsources other raw materials procurement and product assembling process to contract manufacturers, due to limitation of Aobo's existing production floor area. After the products are assembled and inspected, Aobo will load IT programs to complete the final products. Manufacturing in China provides competitive advantages with respect to costs.
- The products are delivered to international customers by shipment and by truck to customers in China.
- Aobo provides products training and technical support for its distributors. Aftermarket support is enhanced by a self-developed mobile application to enable users to monitor operation of the system virtually anywhere. Leveraging on the mobile application, Aobo can know the exact locations of its products installed, check the operation status distantly and identify and resolve potential faults prior to an actual occurrence. As such, Aobo provide proactive aftermarket support to increase users satisfaction and target reducing costs.

3. COMPANY OVERVIEW

(b) Aobo's energy storage products

Product	Description	Photo
Energy storage system	<ul style="list-style-type: none"> Under Aobo's proprietary brand Products capacity ranging from 3.4kwh to 6.8kwh Compact size and easy installation Proven safety of lithium-ion battery Support parallel connection to scale up Compatible with a wide range of inverters Self-developed Advanced business management system (BMS) Self-developed APP to monitor system operation Industry standard certification 	
All-In-One energy storage system	<ul style="list-style-type: none"> OEM products under client's brand Built-in inverter (as opposed to standard energy storage systems where the inverter is separate) Storage capacity of 12 kwh Industry standard certification 	<p>Photos cannot be disclosed due to a Confidentiality and Non-disclosure Agreement</p>
Lithium-ion power battery pack	<ul style="list-style-type: none"> An OEM product that is designed and manufactured for a company in China who operates a battery sharing business for electric motors used by food delivery drivers. 	

(c) Sales and marketing

Customers for energy storage include distributors, OEM clients and project companies. The focus of Aobo sales team is to drive sales growth through expanding distribution channels and networks. Aobo actively exhibited in industry events in Australia and internationally to promote its brand and products. Aobo exhibited at the All Energy Australia Exhibition in Melbourne in 2018 and 2019, the Smart Energy Conference & Exhibition in Sydney in April 2019 and other industry events hosted in South Africa and Germany. In conjunction with Smart Energy Council, Aobo presented and exhibited at conferences in five cities in Australia in November 2019. To enhance the credibility to its products, Aobo became a member of the Clean Energy Council (CEC) and Smart Energy Council and Aobo energy storage system has been accepted onto a list of approved products by the CEC. Only products from the approved lists are eligible to receive small-scale technology certificates (STCs) under the Small-scale Renewable Energy Scheme (SRES). Aobo is seeking to expand its sales team with a specific focus on attracting sales professionals with experience in solar business and a detailed knowledge of energy storage.

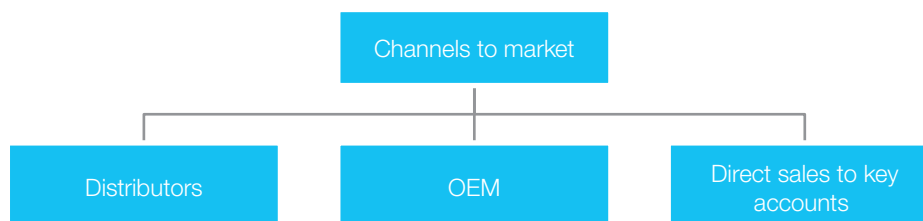
3. COMPANY OVERVIEW

3.4 BUSINESS IN AUSTRALIA

Food and grocery manufacturing sector is an important sector of Australian economy, injecting \$122.1 billion into the economy in 2019¹⁰. Within the sector, food product manufacturing continued to be largest sub-sector, with a turnover of \$90.1 billion, of which the main product was in meat processing, cheese and other dairy manufacturing and human pharmaceutical and medicinal products¹¹. Aobo's air treatment solutions are applicable for food product manufacturing. For example, Aobo sold dehumidification products in Australia including completion of a dehumidification project for a Queensland based health supplement manufacturer in early 2019. Therefore, there are demands from food manufacturers in Australia for Aobo's air treatment solutions and products. Aobo has appointed a sales agent in Australia for the distribution of its ATS products. The Company plans to increase ATS product sales in Australia in the future through its marketing efforts and health supplements project the Company has completed in Australia.

Aobo distributes energy storage system in Australia through its wholly-owned Australian subsidiary Aobo New Energy Pty Ltd (ANE). Aobo has commercial orders worth \$2.5million from customers in Australia and is aiming to secure more commercial orders in the future based on the present level of customer engagement both through current energy storage system purchases and ongoing customer trails.

Figure 3.4: Aobo's distribution channels of energy storage system in Australia



Aobo distributes energy storage system in Australia through three major channels

- Aobo sells energy storage systems under Aobo's proprietary brand to distributors who market to installers, retailers or end users. By working with distributors, Aobo plans to target the Australian retrofit solar market where homes are installed with solar panels but not energy storage systems. Aobo has established distribution partnership with a number of established distributors in Australia. Aobo provides products training and technical support to distributors.
- OEM refers to the sale of energy storage system which is designed and developed by Aobo in conjunction with clients and manufactured by Aobo. The products are branded in the name of clients, typically solar companies or integrators, and distributed by clients. Aobo has developed the ALL-IN-ONE energy storage system for an Australian customer and received first commercial orders worth \$1.65million from this customer in late December 2019.
- Direct sales refer to the sale of energy storage system which are under Aobo proprietary brand to key accounts and big projects such as new housing developments. Aobo has sold its energy storage system to a Melbourne-based solar project company.

As at the date of this Prospectus, Aobo has purchase orders from customers in Australia and South Africa with an aggregate sales value of approximately \$2.8 million and ongoing product trial and testing from potential customers in Australia.

¹⁰ <https://www.afgc.org.au/news-and-media/2019/12/exports-buoy-australian-food-and-grocery-manufacturing-industry-amid-tough-domestic-conditions-new-report-shows>

¹¹ State of the industry report 2019 published by Australian Food & Grocery Council

3. COMPANY OVERVIEW

Since January 2019, the Company has leased a sales office at St Kilda Road Melbourne Victoria and engaged a bilingual sales representative in Melbourne for liaising with customers and developing new business opportunities.

3.5 PROCUREMENT

Aobo procures a range of raw materials, components and finished products. Aobo generally places orders with suppliers after a sales order is secured such that procurement is made in accordance with customers' requirements and technical specifications. Aobo has an experienced procurement team to ensure achieving optimal outcomes. Aobo selects suppliers on the basis of quality, competence, technical capabilities, costs, timeliness of delivery and long-term continuity. For instance, the close relationship which Aobo has with its lithium-ion battery manufacturers provides access to competitive supply of high-quality lithium-ion batteries.

3.6 PRODUCTION

(a) In-house production

Aobo manufactures ATS products in-house. The production process mainly involves manufacturing of parts and components and integration of in-house manufactured and procured parts and components into final products.

(b) Contract manufacturing

Aobo outsources part of the manufacturing process for ESS products due to limitations of the existing production floor area. Key components such as lithium-ion batteries and battery management systems are provided by Aobo and contract manufacturer procures other raw materials and components and provides welding and assembling service for the Company. When the new manufacturing facility is completed, Aobo intends to weld and assemble in-house.

(c) Production facility

Aobo operates from a leasehold manufacturing facility in Wuxi City, Jiangsu province China. The facility comprises of approximately 3,949 square meters factory area and approximately 1,076 square meters office area. The factory is equipped with modern automation equipment to enable production of high-quality products and to improve production efficiency.

Figure 3.5 Front gate of Aobo's existing manufacturing facility in Wuxi City, China



Aobo's production capacity is limited by its production floor area. Aobo has purchased land with an area of approximately 26,756 m² for construction of a new manufacturing facility which is approximately 2 km from the current facility. The new premises will have total floor area of

3. COMPANY OVERVIEW

20,585.7m² and comprise three main buildings. Building one and two will be used for air treatment product and energy storage product manufacturing, respectively. Building three will be used for offices and product research and development. The new facility is designed in accordance with Aobo's manufacturing workflow which will enhance its operation efficiency. The new facility is now under construction and is expected to be completed in August 2020. For more information on the land purchase and new facility construction, refer to Section 11.2 and 11.3.

Figure 3.6 Design plan of Aobo's new manufacturing facility in Wuxi City, China



Figure 3.7 Construction site of Aobo's new manufacturing facility in Wuxi City, China



3.7 QUALITY CONTROL

Product quality is crucial to Aobo's success and has always been its top priority. In line with its commitment to achieve and maintain high quality products, Aobo has received a number of

3. COMPANY OVERVIEW

well recognised international accreditations such as ISO9001:2015 Quality Management System Certificate and CE Certificate. Obtaining CE Certificates allows Aobo to export its air treatment products and energy storage systems to customers within the European Union. For more information on Aobo's key certificates, please refer to section 3.8.

Procurement quality control

Quality control procedures are implemented to ensure the quality of supplies. Aobo maintains a list of approved suppliers, which is subject to review from time to time, and makes procurement only from the approved suppliers. Items purchased from suppliers are inspected before acceptance.

Production quality control

Quality control staff will conduct inspection and testing during production process and report any relevant observations or findings to the production team for further handling. Defective or sub-standard parts and component are either rejected or subject to refinements before entering into the next stage of the production process.

Finished product quality control

Quality control team also conducts testing on finished products to ensure that relevant technical standards and customer's specifications are met. In most cases, engineers or technical people from customers conduct quality inspection before products leaving the factory. Only finished products that pass the final testing will be delivered to customers.

3.8 CERTIFICATIONS

As at the date of this Prospectus, Aobo has been granted the following certifications:

Certificates	Description/Purpose	Issuing Authority	Date of Issue	Date of Expiry
High and New Tech Enterprise Certificate (Certificate number GR201832007336)	To certify high and new tech enterprise in China	Jointly by the following government authorities: <ul style="list-style-type: none"> Jiangsu Provincial Bureau of Science and Technology; Jiangsu Provincial Bureau of Finance; and Jiangsu Provincial Taxation Office 	30 November 2018	29 November 2021
ISO 9001:2015 (Certificate No: 11418Q43966R3M)	To certify the Quality Management System	Beijing East Allreach Certification Center	24 June 2018	23 June 2021
CE Certificate	To certify dehumidification units and NMP recovery systems compliance with the essential requirements of the relevant European health, safety and environmental protection legislation.	Ente Certificazione Macchine Srl	27 September 2018	26 September 2023

Aobo has obtained TUV (IEC62619), CE and UN38.3 certifications for its energy storage system.

3. COMPANY OVERVIEW

3.9 EMPLOYEES

As at the date of this Prospectus, Aobo has a total of 73 full-time employees (FTE). The Company has an engaged and experienced workforce. Aobo provides in-house training to employees to enhance their knowledge in products, operation and safety practice. Aobo has not encountered any incidents or complaints that would materially and adversely affect its operations.

The following table sets out the breakdown of Aobo employees by function

Function	Number of employees
Management	5
Sales and marketing	9
Production	43
Administrative	2
Finance	5
R&D	9
Total	73

3.10 INTELLECTUAL PROPERTY RIGHTS

(a) Registered patents

As at the date of this Prospectus, Aobo has registered 26 patents in the field of dehumidification, NMP recovery and lithium-ion battery energy storage in China including 1 invention patent, 24 utility patents and 1 design patent. According to the Patent Law of the PRC, the duration of patent right for inventions shall be twenty years, the duration of patent right of utility models and patent right for designs shall be ten years, effective from the date of filing.

(b) Trademarks

Aobo's trademarks are registered in China and Australia as well as in other jurisdictions such as European Union, South Korea and Taiwan.

3.11 DIVIDEND POLICY

The Company does not intend to pay dividends for the financial year ending 31 December 2020 as the Company considers that its ESS business is in its expansion stage for the first two years after listing and thus may need to utilise all available funds for its business activities. Any future determination as to the payment of dividends by the Company will depend on a variety of factors such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements, general business and other factors considered relevant by the Directors.

The Company's ability to distribute dividend in Australia may also be affected by the repatriation of dividend policy of China. See section 9.3 below for details of the relevant risk.

3.12 COMPETITIVE STRENGTHS

Aobo's potential growth are attributable to the following competitive strengths:

3. COMPANY OVERVIEW

(a) Well positioned to capture further growth in its end markets

The air treatment and energy storage markets where Aobo is operating are expected to demonstrate attractive long-term growth. For more information on market growth drivers, please refer to Section 2.

Aobo has accumulated substantial experience in its end markets. Aobo generates approximately 65.2% of revenue from the lithium-ion battery end market which is expected to grow further due to adoption of electric vehicles, anticipated increase in off-grid energy storage capacity and environmental control by the PRC government. The Company intends to use the new production facility, current customer engagement in Australia and the investment of proceeds from the Offer into energy storage to capture business opportunities in Australian solar energy storage market.

(b) Proven track record in offering air treatment solutions to customers in China and overseas

Aobo is a well-established air treatment solution provider based in China, specialising in dehumidification and NMP recovery, with an operating history of over 20 years. Aobo's air treatment products have been used by companies in China and overseas. Many of Aobo's customers are leading players in their respective industries. Aobo's proven track record in air treatment enables it to attract new customers. This cannot be easily replicated by Aobo's competitors and has enabled Aobo to differentiate itself.

(c) Close relationships with customers

The air treatment business is based on a deep understanding of customers' requirements for particular applications and is made specifically for the customers. Therefore Aobo strives to know its customers' needs better than the customers themselves. Furthermore, Aobo provides after-market services to its customers during and after the warranty period. As a result, customer relationships are often "sticky", which brings repeated orders to the Company. Aobo offers a self-developed mobile application for users of its energy storage system to monitor operation of the system, which Aobo believes will enhance customer satisfaction.

(d) Recognised technological know-how

Aobo has accumulated significant experience and technical know-how in dehumidification, NMP recovery and lithium-ion battery energy storage. As at the date of this Prospectus, Aobo holds 26 patents in the area of air treatment and battery energy storage. In recognition of Aobo's R&D activities and achievements, it has been recognised as a High and New Tech Enterprise in China since 2012 and a SME Technology-Based Enterprise in Jiangsu Province.

(e) Commitment to high product quality

Aobo places great emphasis on its product quality. The Company has adopted a quality management system to ensure strict quality control at various stages of its operation. The Company has been accredited in accordance with ISO9001:2015 Quality Management System and has obtained CE certification for both air treatment products and energy storage systems. Aobo also received TUV(IEC62619) and UN38.3 certifications for its energy storage system. For more information on quality control, please refer to Section 3.7.

3. COMPANY OVERVIEW

(f) Strategic location of the production facility

Aobo's production facility is located in Wuxi city, Jiangsu province, China, which is adjacent to Shanghai. Manufacturing in China provides a competitive advantage in production costs. Wuxi City is in the Yangtze River Delta (YRD), a manufacturing hub in China, which offers close proximity to targeted customers and key suppliers. For example, an existing Aobo's customer, the largest lithium-ion battery manufacturer in the world by volume, has built an additional lithium-ion battery manufacturing facility in Liyang city in China. Liyang is approximately 100 km from Aobo. Aobo supplied an NMP Recovery System to the customer's newly-built facility. The highly developed logistics and transportation network in YRD also help to reduce transportation costs and procurement costs.

(g) Experienced management team

Aobo has an experienced management team with substantial expertise and experience in the air treatment and energy storage industries. Aobo's Chief Executive Officer has 21 years of experience in the air treatment industry and is also familiar with lithium-ion battery manufacturing. Aobo has assembled an experienced management team with over 20 years of experience in the energy storage market. For more information on management profile, please refer to Section 5.3.

3.13 GROWTH STRATEGY

(a) Focus on core market segments and expand the Company's market share in China

In core end markets in China where Aobo has a strong existing position, it focuses on expanding its market share. For example, leveraging on its proven track record of project experience and its competitive position in the lithium-ion battery manufacturing industry, Aobo will pursue further business opportunities in this sector by attracting new customers.

(b) Pursue growth opportunities in niche segments and different regions

The Company believes that there are opportunities to penetrate to other industrial and commercial end markets in China where there is a need for ATS products. For example, driven by stricter environmental protection in China, the Chinese Government has enacted regulations that are gradually forcing automotive manufacturers to use waterborne paints instead of oil-based to reduce volatile organic compounds (VOC) emissions. The move to less toxic, water-based painting is already under way in the PRC. This represents a huge opportunity for Aobo to offer its dehumidification products given that China ranks the second in the world automotive industry. Aobo sold dehumidification units to Dürr China, a subsidiary of Dürr, which provides engineering services for car manufacturers to transform painting lines. Management anticipate more orders from this segment in the near future. As a further example, energy represents a significant portion of a supermarket's operating expenses. High performance climate solutions can reduce a supermarket's energy costs, and can also improve sales potential by increasing customer comfort. This may represent a market opportunity for Aobo's products as the retail sector continues to grow in China.

Historically Aobo has distributed its ATS products into international market. Its products are used in countries/jurisdictions such as Australia, Germany, the UK, the US, Argentina, Japan, South Korea, Taiwan and Southeast Asian Countries. The exposure to international market lays a solid foundation for the Company's further international expansion and sales.

3. COMPANY OVERVIEW

(c) Expand energy storage business in Australia and penetrate into other international markets

Australia is a core market for Aobo's energy storage system. Aobo will focus its marketing efforts in Australia on promoting its brand and increasing awareness of its products with a view to increasing sales through existing distributors, as well as expanding its distribution network. To support its business expansion in Australia, Aobo will recruit additional sales staff in Australia and engage the services of marketing consultants to assist in the marketing campaign. Furthermore, leveraging on its R&D capacity, Aobo will expand its energy storage product offerings in Australia.

The Company is also looking to expand into other international markets where it believes there is an opportunity for energy storage system. Currently the Company has small-scale orders and customer interest from South Africa and France.

(d) Capture recurring sales opportunities from services

Historically, Aobo was primarily focused on products sales, with services playing a support role. Aobo intends to enhance its service offering to capture recurring sales opportunities generated by services.

(e) Expand production capacity and economies of scale

With the new manufacturing facility, Aobo could increase its production capacity to accommodate increasing demands of its products and the increasing economies of scale will enhance its margin. Furthermore, the Company intends to manufacture and assemble its energy storage system in-house instead of contract manufacturing after the new facility is ready. This will increase the product margin and improve competitiveness in the market.

3.14 USE OF PROCEEDS

The table below sets out the Company's intended use of the proceeds raised under the Offer in the two years following completion of the Offer.

Use of proceeds	Minimum Subscription		Maximum Subscription	
	\$	%	\$	%
Construction costs of new manufacturing facility in Wuxi ¹	Nil	Nil	3,000,000	60.0%
Sales and marketing costs for energy storage business expansion in Australia ²	484,433	60.6%	1,671,648	33.4%
Costs of the Offer to be paid out of proceeds raised	315,567	39.4%	328,352	6.6%
Total	800,000	100%	5,000,000	100%

Note:

- 1 Please refer to section 3.6(c) and 11.3 for the new manufacturing facility construction in Wuxi. The construction costs are RMB32.5 million (approximately A\$6.9 million). Part of the construction costs were funded by Aobo and does not form use of proceeds.
- 2 Sales and marketing costs include recruitment of additional sales staff in Australia, marketing campaign costs and other associated business development costs for the energy storage business.

The Directors believe that on completion of the Offer (based on the Minimum Subscription) the Company will have adequate working capital to meet its current objectives as set out in this Prospectus.



4. OFFER

4. OFFER

4.1 MINIMUM AND MAXIMUM SUBSCRIPTION

This Prospectus invites investors to apply for up to 20,000,000 Shares at an issue price of \$0.25 per Share to raise a maximum of \$5,000,000 (**Maximum Subscription**). The Offer is subject to issuing 3,200,000 Shares at an issue price of \$0.25 per Share to raise a minimum of \$800,000 (**Minimum Subscription**).

All Shares issued pursuant to this Prospectus will be issued as fully paid and will rank equally in all respects with the Shares already on issue. The rights attaching to the Shares are summarised in Section 12.3. The Offer is not underwritten.

4.2 OPENING AND CLOSING DATES FOR THE OFFER

The Opening Date for the Offer is 11 March 2020 and the Closing Date is 16 April 2020.

The Directors reserve the right to extend the Offer or end the Offer earlier as required.

4.3 APPLICANTS

(a) Who can apply?

Under the Offer, members of the general public in Australia and other investors to whom it is lawful to make an offer to pursuant to this Prospectus may apply for Shares pursuant to this Prospectus.

(b) How to apply for Shares?

If you wish to apply for Shares under the Offer, you may:

- apply online at www.registrydirect.com.au/offering/aobo and pay the Application Monies electronically; or
- complete a paper-based Application using an Application Form attached to, or accompanying this Prospectus or a printed copy of the Application Form attached to the electronic version of the Prospectus.

You may apply online by following the instructions at www.registrydirect.com.au/offering/aobo and completing a BPAY payment. Follow the instructions below to complete your payment. If you do not make a BPAY or direct credit payment, your Application will be incomplete and will not be accepted. Your online Application Form and BPAY/direct credit payment must be completed and received by no later than 5.00pm (AEST) on the Closing Date.

The Directors may extend the Closing Date and also reserve the right to close the Offer early. Applications must be accompanied by payment in Australian currency.

The Application constitutes an offer by the Applicant to subscribe for Shares on the terms and subject to the conditions set out in this Prospectus. Application Forms will be accepted at any time after the Opening Date and prior to the Closing Date.

The Board reserves the right to accept, reject or scale back any Application, in its absolute discretion.

Where the number of Shares allotted is less than the number applied for or where no allotment is made, the surplus Application Monies will be returned to Applicants (without interest) by cheque within seven days of the Closing Date.

A binding contract to issue Shares will only be formed at the time Shares are allotted to Applicants.

You do not have to pay brokerage, commission or stamp duty if you acquire Shares under the Offer.

4. OFFER

4.4 PAYMENT BY CHEQUE

Cheque(s) must be drawn on an Australian branch of a financial institution and made payable to “Registry Direct Limited ATF Aobo Environmental Technology Limited” and crossed “Not Negotiable”.

Payments by cheque will be deemed to have been made when the cheque is honoured by the bank on which it is drawn. Accordingly, Applicants should ensure that sufficient funds are held in the relevant account(s) to cover their cheque(s).

If the amount of your cheque(s) for Application Monies is insufficient to pay for the amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

Completed Application Forms, together with accompanying cheques, should be forwarded to the following address:

Mailing address: Aobo Environmental Technology Ltd
C/-Registry Direct Limited
PO Box 18366
Collins Street East VIC 8003

Delivery address: Aobo Environmental Technology Limited
C/-Registry Direct Limited
Level 6, 2 Russell Street
Melbourne VIC 3000

4.5 PAYMENT BY BPAY

If you are applying online at www.registrydirect.com.au/offering/aobo and making your application payment by BPAY, you will be given a specific Biller Code and Unique Customer Reference Number(CRN) for your Application once you have completed your online Application Form.

You should be aware that you will only be able to make a payment via BPAY if you are the holder of an account with an Australian financial institution which supports BPAY transactions.

When completing your BPAY payment, please make sure you use the specific Biller Code and your unique CRN provided on the online Application Form. If you do not use the correct CRN your Application will not be recognised as valid.

It is your responsibility to ensure that payments are received by 5.00pm (AEST) on the Closing Date. Your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY, and policies with respect to processing BPAY transactions may vary between banks, credit unions and building societies.

The Company accepts no responsibility for any failure to receive Application Monies or payments by BPAY before the Closing Date arising as a result of, among other things, processing of payments by financial institutions.

4.6 MINIMUM APPLICATION AMOUNT

Applications under the Offer must be for a minimum of 8,000 Shares (\$2,000) and in multiples of 2000 Shares (\$500) thereafter.

4. OFFER

4.7 FURTHER INSTRUCTIONS

Detailed instructions on how to complete the Application Form are in the Application Form. The Company reserves the right to reject any Application (including where the Application has not been correctly completed) or to allocate you fewer Shares than the number for which they applied, or vary the dates and times of the Offer without prior notice.

Where Applications are rejected or fewer Shares are allotted than applied for, surplus Application Monies will be refunded. No interest will be paid on any Application Monies refunded. To request a hard copy Prospectus, please call the Share Registry on 1300 55 66 35 between 8.30 am and 5:30 pm (AEST) from Monday to Friday, or email to registry@registrydirect.com.au

4.8 CAPITAL STRUCTURE AND EXISTING SHAREHOLDERS

The table below sets out the interests of existing shareholders on Completion of the Offer. The table does not reflect any Shares which the relevant Shareholders may subscribe for under the Offer.

Shareholders	Minimum Subscription		Maximum Subscription	
	Number of Shares	%	Number of Shares	%
Zhang Jiangang	38,000,000	19.67%	38,000,000	18.10%
Mu Xianhong ¹	51,300,000	26.55%	51,300,000	24.43%
Zhang Feng ²	28,348,000	14.67%	28,348,000	13.50%
Zhang Jie	19,608,000	10.15%	19,608,000	9.34%
Lu Jialiang	8,531,000	4.42%	8,531,000	4.06%
Anxin Management Consulting Co.,Ltd	7,448,000	3.86%	7,448,000	3.55%
Wu Yacheng	6,156,000	3.19%	6,156,000	2.93%
Xue Dan	5,472,000	2.83%	5,472,000	2.61%
Zhang Aijun	4,417,440	2.29%	4,417,440	2.10%
Zhang Xiaoling	4,351,000	2.25%	4,351,000	2.07%
Shen Jie	4,351,000	2.25%	4,351,000	2.07%
Zhao Chunmei	3,557,960	1.84%	3,557,960	1.69%
Zhou Ziniu	2,945,000	1.52%	2,945,000	1.40%
Gu Jian	2,185,000	1.13%	2,185,000	1.04%
Yang Rong	2,185,000	1.13%	2,185,000	1.04%
Chen Ruixian	1,144,600	0.59%	1,144,600	0.55%
Shares on issue as at date of Prospectus	190,000,000	98.34%	190,000,000	90.48%
Shares being offered under this Prospectus	3,200,000	1.66%	20,000,000	9.52%
Total	193,200,000	100.00%	210,000,000	100.00%

Note:

1 Mu Xianhong is Zhang Jiangang's wife.

2 Zhang Feng is Zhang Jiangang's niece.

4.9 SUBSTANTIAL SHAREHOLDERS

On completion of the Offer (assuming existing substantial holders do not subscribe for Shares under the Offer and no new investors become substantial holders) the substantial holders will be as set out below.

4. OFFER

Name	Number of Shares	%	Minimum Subscription	Maximum Subscription
Zhang Jiangang	38,000,000	20.00%	19.67%	18.10%
Mu Xianhong ¹	51,300,000	27.00%	26.55%	24.43%
Zhang Feng ²	28,348,000	14.92%	14.67%	13.50%
Zhang Jie	19,608,000	10.32%	10.15%	9.34%

Note:

1 Mu Xianhong is Zhang Jiangang's wife.

2 Zhang Feng is Zhang Jiangang's niece.

The Company will announce to NSX details of its top 20 Shareholders (following completion of the Offer) prior to the Shares commencing trading on NSX.

4.10 ALLOTMENT AND ALLOCATION OF SHARES

Subject to the Minimum Subscription under the Offer being reached, allotment of Shares offered under this Prospectus will take place as soon as practicable after the Closing Date.

Pending the allotment and issue of Shares or payment of refunds pursuant to this Prospectus, all Application Monies will be held by the Company in trust for you in a separate bank account as required by the *Corporations Act 2001*. The Company, however, will be entitled to retain all interest that accrues on the bank account and you waive the right to claim interest.

The Directors will determine the allocation of the Shares issued under this Prospectus in their sole discretion. The Directors reserve the right to reject any application or to allocate you fewer Shares than the number for which they applied. Where the number of Shares issued is less than the number applied for, or where no allotment is made, surplus Application Monies will be refunded without any interest to you as soon as practicable after the Closing Date.

4.11 CONDITION PRECEDENT

The Offer made under this Prospectus and the issue of Shares pursuant to this Prospectus are subject to and conditional upon the Minimum Subscription of \$800,000 being raised. If the condition set out above is not satisfied on or before the day immediately preceding the proposed allotment date of Shares under the Offer, the Issue will not proceed and no Shares will be allotted pursuant to this Prospectus.

4.12 NSX LISTING

The Company has reserved the NSX trading code of AB9.

On the date of this Prospectus, Aobo has made an application to the NSX for the Company to be admitted to the Official List and for the Shares offered under this Prospectus to be granted Quotation. If approval for Quotation is not granted within 3 months after the date of this Prospectus, the Company will not allot or issue any Shares pursuant to the Offer and will repay all Application Monies without any interest as soon as practicable. The fact that the NSX may admit the Company to its Official List is not to be taken in any way as an indication of the merits of the Company or the Shares offered pursuant to this Prospectus. NSX takes no responsibility for this Prospectus or the investment to which it relates. Admission to the official list of NSX and quotation of the Shares on NSX are not to be taken as an endorsement by NSX of the Company.

4. OFFER

4.13 CHESS AND ISSUER SPONSORED HOLDINGS

The Company will apply to participate in the Clearing House Electronic Sub-register System (**CHESS**), operated by ASX Settlement Pty Ltd (**ASX Settlement**) a wholly owned subsidiary of the ASX, in accordance with the ASX Settlement Operating Rules. Under this system, the Company will not issue certificates to investors. Instead, Shareholders will receive a statement of their holdings in the Company.

If an investor is broker sponsored, ASX Settlement will send them a CHESS statement. The CHESS statement will set out the number of Shares allotted to the investor under the Prospectus, give details of the Shareholder's Holder Identification Number (**HIN**) and provide the participant an identification number of the sponsor. Alternatively, if an investor is registered on the issuer sponsored subregister, the statement will be dispatched by the Share Registrar and will contain the number of Shares allotted under the Prospectus and the SRN. A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their holding changes. A Shareholder may request a statement at any other time. However, a charge may be made for additional statements.

4.14 APPLICANTS OUTSIDE AUSTRALIA

The distribution of the Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons who come into possession of the Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities law. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed to enable them to acquire Shares.

The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

4.15 FOREIGN SELLING RESTRICTION

No action has been taken to register or qualify Shares that are subject to the Offer or otherwise permit a public offering of the Shares in any jurisdiction outside Australia.

4.16 TAXATION

The Australian taxation consequences of any investment in Shares will depend upon the investor's particular circumstances. It is an obligation of investors to make their own enquiries concerning the taxation consequences of an investment in the Company as the tax consequences that apply to an investor may differ from the general comments provided in the Taxation Report in this Prospectus. If you are in doubt as to the course of action you should take, you should consult your professional advisors.

4.17 RESTRICTED SECURITIES

The NSX may classify certain securities as being subject to the restricted securities provisions of the Listing Rules. In particular, Directors, other related parties and promoters may receive escrow on securities held by them for up to 24 months from the date of quotation of the Company's Shares on NSX.

None of the Shares offered under the Offer will be treated as restricted securities and will be freely transferable from their date of allotment.



5. KEY PEOPLE, INTERESTS AND CORPORATE GOVERNANCE

5. KEY PEOPLE, INTERESTS AND CORPORATE GOVERNANCE

5.1 BOARD OF DIRECTORS

The Directors of the Company bring to the Board relevant skills and experience including in the areas of industry and business knowledge, financial management and corporate governance.

Name	Position	Independent*
Andrew Smith	Non-Executive Chairman	Yes
Zhang Jiangang	Executive Director and chief Executive Officer	No
Hon. Andrew Thomson	Non-Executive Director	Yes
Brendan Connell	Non-Executive Director	Yes

* Aobo considers that a Director is an independent director where that Director is free from any business or other relationship that could materially interfere, or be perceived to interfere with, the independent exercise of the Director's judgement.

5.2 DETAILS OF DIRECTORS

Directors	Experience
Andrew Smith <i>Non-Executive Chairman</i>	<p>Andrew's business career has focused on finance and the financial markets in the Asia Pacific. He was the managing director and chief executive of the stockbroking and corporate finance group Intersuisse Ltd (now Phillip Capital) from 2000 to 2010. Prior to that, Andrew was Chairman of the Sedgwick Group in the Asia Pacific between 1995 and 2000.</p> <p>Andrew is non-executive Chairman of Eagle Health Holdings Limited (ASX: EHH).</p> <p>Andrew holds a Bachelor of Economics and Politics from Monash University.</p>
Zhang Jiangang <i>Executive Director and Chief Executive Officer</i>	<p>Mr Zhang has been employed by Aobo for 21 years. He is integral to Aobo's journey. He has experience across all areas of business.</p> <p>Mr Zhang oversees Aobo's operation and production and is responsible for developing and implementing Aobo's strategy.</p> <p>Prior to Aobo, Mr Zhang worked as engineer and general manager for manufacturing companies in Wuxi. He is an engineer by trade.</p> <p>Mr Zhang obtained a diploma in Business Administration from Xi'an University of Finance and Economics.</p>

5. KEY PEOPLE, INTERESTS AND CORPORATE GOVERNANCE

Directors	Experience
Hon. Andrew Thomson <i>Non-Executive Director</i>	<p>The Hon. Andrew Thomson has significant experiences in legal practices in Australia and overseas. He commenced his career as a solicitor at Mallesons before holding the position of Investment Manager at GT Management (Japan) Ltd and Assistant Vice President of Compliance at Credit Suisse First Boston (Japan Ltd). He is a special counsel for Lander & Rogers Lawyers.</p> <p>The Hon. Andrew Thomson also held positions as a Member (House of Representatives) in the Australian Parliament, Parliamentary Secretary for Foreign Affairs, the Minister for Sport, Tourism and Sydney Olympic Games, and Chairman of the Joint Committee on Treaties for the Australian Parliament.</p> <p>He has previously been a Chairman for a number of ASX-listed companies.</p> <p>The Hon. Andrew Thomson holds a Bachelor of Arts and Bachelor of Laws from the University of Melbourne and a Master of Laws from Georgetown University. He is fluent in Japanese and Mandarin.</p>
Brendan Connell <i>Non-Executive Director</i>	<p>Brendan is a lawyer with over 35 years' experience and was formerly the Managing Partner of one of the largest law firms in South Australia.</p> <p>Having qualified in 1982 he has acted for numerous Chinese companies in mergers and acquisitions and in corporate finance transactions.</p> <p>Brendan provides legal advice to listed and unlisted companies on all aspects of governance and has extensive experience with capital market transactions on all Australian stock exchanges.</p> <p>Brendan holds a Bachelor of Laws from Adelaide University and GDLP from South Australian Institute of Technology. He is admitted to South Australia Supreme Court and High Court of Australia.</p>

5.3 SENIOR MANAGEMENT

Profiles of Aobo's Senior Management team are set out below.

Senior Management	Experience
Zhang Jiangang <i>Chief Executive Officer</i>	Refer to Section 5.2

5. KEY PEOPLE, INTERESTS AND CORPORATE GOVERNANCE

Senior Management	Experience
Qian Jin <i>Finance Manager</i>	<p>Mr Qian Jin has been the finance manager of the Company since September 2017. Prior to that, Mr Qian worked as the CFO for Wuxi Qunli Non-ferrous Metal Material Co, Ltd for 17 years since 2000. Before that, he was the financial controller for Wuxi Woco General Engineering Rubber Co., Ltd, a subsidiary of German Woco Group, from 1997 to 2000, and an accountant in Wuxi Vacuum Equipment Co, Ltd from 1994 to 1997.</p> <p>Mr Qian obtained a bachelor's degree in accounting from the College of Economic and Management College in Hei Longjiang Province.</p>
Mu Xianhong <i>Head of Human Resources and Administration</i>	<p>Ms Mu Xianhong has been with Aobo since 2003 and held different roles including deputy finance officer. She is now responsible for human resources and general administration. She obtained a diploma in accounting from Xi'an University of Finance and Economic.</p>
Zhang Hao <i>Head of Sales for ATS</i>	<p>Mr Zhang Hao is the sales manager for air treatment products. He has been with the Company since its incorporation and has played an important role in expanding Aobo's sales.</p>
Cheng Zhixing <i>Manager of ESS</i>	<p>Mr Cheng Zhixing is the manager of the energy storage business and is responsible for international marketing and sales, in particular Australia.</p> <p>Mr Cheng has significant marketing experience in the renewable energy sector. Prior to the working at Aobo, he was the marketing director for the Australian market at Suzhou GCL System Integration Technology Co. Ltd, a public listed company on Shenzhen Stock Exchange, from February 2017 to March 2018. He was also the assistant manager and manager for overseas markets at Shoto Group which produces batteries, from May 2009 to January 2017.</p> <p>Mr Cheng obtained a bachelor's degree in international economy and trade from Nanjing Aeronautics & Astronautics University and is fluent in English.</p>

5.4 INTERESTS AND BENEFITS

This Section sets out the extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of the Company;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- financial services licensee involved in the Offer and identified in this Prospectus; or
- promoter of the Company,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before

5. KEY PEOPLE, INTERESTS AND CORPORATE GOVERNANCE

lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director of the Company.

(a) Directors' interests and remuneration

(i) Executive Director

Mr Zhang Jiangang is an Executive Director and Chief Executive Officer of the Company. The Company has entered into an employment contract with Mr. Zhang Jiangang that governs employment with the Company. Mr Zhang's employment contract does not have a fixed term. Either the Company or Mr Zhang may terminate the employment by giving one-month notice. Aobo may terminate his employment without notice in circumstances involving serious misconduct. Mr Zhang's employment includes a restraint on working for a competitor for up to 24 months after ceasing employment. Enforceability of such restraint is subject to all usual legal requirements. Mr Zhang's annual total fixed remuneration is RMB225,600 per annum (approximately \$48,111), plus bonuses.

(ii) Non-Executive Director Remuneration

The Non-Executive Directors are Andrew Smith, Hon. Andrew Thomson and Brendan Connell. Each Non-Executive Director entered into an appointment letter with the Company. The letters of appointment are each in standard form.

Under the Constitution, the Board decides the remuneration that each Director is entitled for his or her services as a Director. However, under the NSX Listing Rules, the total amount provided to all Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by the Company in a general meeting. This amount is capped at \$300,000 per annum. Any increase to the aggregate amount needs to be approved by Shareholders. Directors will seek approval of the Shareholders from time to time, as appropriate.

Annual Non-Executive Directors' fees currently agreed to be paid by the Company are \$60,000 to Non-Executive Chairman and \$40,000 to each of the Non-Executive Directors.

Zhang Jiangang will be remunerated as an Executive and will not receive additional fees for his services as a Director of the Board.

Directors may also be reimbursed for travel and other expenses reasonably incurred in connection with the performance of their duties as Directors. There are no retirement benefit schemes for Non-Executive Directors, other than statutory superannuation contributions.

5. KEY PEOPLE, INTERESTS AND CORPORATE GOVERNANCE

(iii) Directors' interest in Shares and other securities

Directors are not required under the Constitution to hold any Shares in the Company. However, the Directors are entitled to apply for Shares under the Offer. The number of Shares held by the Directors as at Completion of the Offer (not including Shares acquired by a Director under the Offer) is set out below:

Director	Number of Shares on Completion of the Offer
Zhang Jiangang	38,000,000
Andrew Smith	Nil
Hon. Andrew Thomson	Nil
Brendan Connell	Nil

(b) Interests of advisers

- (i) IDC Capital Pty Ltd has acted as the corporate adviser to the Company. The Company has paid, or agreed to pay approximately RMB500,000 (approximately \$106,630) (plus disbursements) in respect of these services.
- (ii) Thomson Geer Lawyers has acted as Australian legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately \$62,500 (excluding disbursements and GST) for services provided in relation to the Offer. Further amounts may be paid to Thomson Geer Lawyers in accordance with its normal time-based charges.
- (iii) Bentleys Audit & Corporate (WA) Pty Ltd has acted as Investigating Accountant in relation to the Offer, and has performed work in relation to its Investigating Accountant's Report in Section 8. The Company has paid, or agreed to pay, approximately \$25,000 (excluding disbursements and GST) for services provided in relation to the Report in Section 8.
- (iv) Grant Thornton Australia Limited is the author of the Tax Report included in this Prospectus. The Company has paid, or agreed to pay \$3,500 (plus GST) in respect of these services.
- (v) GrandAll Law Firm has acted as the Chinese legal adviser to the Company in relation to Chinese legal due diligence and legal matters. The Company has paid, or agreed to pay RMB80,000 (approximately \$17,061) (plus disbursements) in respect of these services.

5.5 CORPORATE GOVERNANCE

The Board is committed to principles of best practice in corporate governance. The Board will conduct itself in accordance with the ASX Corporate Governance Principles and Recommendations, 3rd Edition (2014) as issued by the ASX Corporate Governance Council, to the extent that such principles and recommendations are applicable to an entity of the size and structure of the Company.

The Company has formulated its own Corporate Governance Policies using the ASX Principles and Recommendations as a guide.

The Board will review the corporate governance policies and structures that the Company has in place to ensure that these are appropriate for the size of the Company and nature of its activities,

5. KEY PEOPLE, INTERESTS AND CORPORATE GOVERNANCE

and that these policies and structures continue to meet the corporate governance standards that the Board is committed to.

The corporate governance policies are available on the Company's website www.aoboet.com.au.

Summary of Company's position in relation to ASX Principles and Recommendations

Principle and Recommendations	Description	Compliant
Principle 1 – Lay solid foundations for management and oversight		
Establish the functions expressly reserved to the board and those delegated to management, and disclose those functions.	<ul style="list-style-type: none"> The Board operates under a Board Charter. The Board Charter sets out the roles and responsibilities of the Board and management. The Board's primary role is the protection and enhancement of long-term shareholder value. The Board's responsibilities are set out in the Board Charter. The Board delegates the day-to-day management of the Company to the CEO and senior management. However, overall responsibility of the direction, and financial wellbeing of the Company rests with the Board. 	Yes
Undertake appropriate checks before appointing a person as a director, and provide shareholders with all material information relevant to a decision on whether or not to elect or re-elect a director.	<ul style="list-style-type: none"> The Board ensures that appropriate checks are undertaken before it appoints a person or puts forward to security holders a new candidate for election, as a director. This includes checks as to the person's character, experience, education, criminal record and bankruptcy history. 	Yes
Have a written agreement with each director and senior executive setting out the terms of their appointment.	<ul style="list-style-type: none"> Each of the Company's directors and senior executives have entered into service contracts or, where appropriate, a letter of appointment. 	Yes
The company secretary should be accountable directly to the board on all matters to do with the proper functioning of the board.	<ul style="list-style-type: none"> The company secretary is accountable directly to the board. Each director is able to communicate directly with the Company secretary and vice versa. 	Yes

5. KEY PEOPLE, INTERESTS AND CORPORATE GOVERNANCE

Principle and Recommendations	Description	Compliant
Establish a diversity policy 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, for reporting against in each reporting period.	<ul style="list-style-type: none"> The diversity policy for the Company has only recently been established and accordingly, the Company has not reported on measurable objectives in any annual report to date. 	Yes
Have a process for periodically evaluating the performance of the board, its committees and individual directors, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.	<ul style="list-style-type: none"> The Company has a Board Performance Evaluation Policy. The corporate governance policies provide for regular performance reviews to be conducted. The Company intends to evaluate performance of the Board and disclose for each reporting period whether an evaluation has been undertaken. 	Yes
Have a process for periodically evaluating the performance of the company's senior executives, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.	<ul style="list-style-type: none"> The Board's broad function is to formulate strategy and set financial targets for the Company, monitor the implementation and execution of strategy and performance against financial targets, appoint and oversee the performance of executive management, and generally take an effective leadership role in relation to the Company. The Chairman, with assistance from the Nomination and Remuneration Committee, annually assesses the performance of Directors and senior executives, and the Chairman's performance is assessed by the other Directors. 	Yes

5. KEY PEOPLE, INTERESTS AND CORPORATE GOVERNANCE

Principle and Recommendations	Description	Compliant
Principle 2 – Structure the Board to add value		
<p>The company should have a nomination committee, which has at least three members, a majority of independent directors and is chaired by an independent director.</p> <p>The functions and operations of the nomination committee should be disclosed.</p>	<ul style="list-style-type: none"> The Board has established a Nomination and Remuneration Committee which is responsible for assisting the Board to fulfil its corporate governance responsibilities in regard to nomination and remuneration matters. The committee has at least three members, all of whom are independent Directors. The committee will be chaired by an independent Director. The Nomination and Remuneration Committee Charter outlines the committee's authority, duties, responsibility and relationship with the Board and will be available on Aobo's Corporate Website. The Annual Report will provide details on the members of the committee, the number of times the committee met throughout the relevant period and the individual attendances of the members at those meetings. 	Yes
Have and disclose a board skills matrix, setting out what the board is looking to achieve in its membership.	<ul style="list-style-type: none"> The Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the Company and its business. 	Does not presently comply, however the Board intends to formalise a skills matrix.
Disclose the names of the directors that the board considers to be independent directors, and an explanation of why the board is of that opinion if a factor that impacts on independence applies to a director, and disclose the length of service of each director.	<ul style="list-style-type: none"> Andrew Smith, Andrew Thomson and Brendan Connell are independent Directors. Zhang Jiangang is deemed not independent because he is a major shareholder and executive director of the Company. 	Yes

5. KEY PEOPLE, INTERESTS AND CORPORATE GOVERNANCE

Principle and Recommendations	Description	Compliant
A majority of the board should be independent directors	<ul style="list-style-type: none"> The Board has four members, of whom three (Andrew Thomson, Andrew Smith, and Brendan Connell) are independent Non-Executive Directors. 	Yes
The Chair of the board should be an independent director and should not be the CEO	<ul style="list-style-type: none"> The Chairman, Andrew Smith, is an independent Director and is not the same individual as the CEO. 	Yes
There should be a program for inducting new directors and providing appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	<ul style="list-style-type: none"> The Nomination and Remuneration Committee regularly reviews whether the Board has the appropriate skills, knowledge and familiarity with the Company and its operating environment. If and when gaps are identified the Company will provide suitable training or development to fill those gaps. 	Yes
Principle 3 – Act ethically and responsibly		
Have a code of conduct for the board, senior executives and employees, and disclose that code or a summary of that code.	<ul style="list-style-type: none"> Aobo has adopted a Code of Conduct, which sets out a framework to enable Directors to achieve the highest possible standards in the discharge of their duties and to give a clear understanding of best practice in corporate governance. 	Yes
Principle 4 – Safeguard integrity in corporate reporting		
The company should have an audit committee, which consists of only non-executive directors, a majority of independent directors, is chaired by an independent chairman who is not chairman of the board, and has at least three members. The functions and operations of the audit committee should be disclosed.	<ul style="list-style-type: none"> Aobo has established an Audit and Risk Management Committee. The Audit and Risk Management Committee comprises of three Non-Executive Directors, all of whom are independent directors. The chair of the Audit and Risk Management Committee is an independent Non-Executive Director. 	Yes

5. KEY PEOPLE, INTERESTS AND CORPORATE GOVERNANCE

Principle and Recommendations	Description	Compliant
The board should, before approving financial statements for a financial period, receive a declaration from the CEO and CFO that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the company, formed on the basis of a sound system of risk management and internal controls, operating effectively.	<ul style="list-style-type: none"> Before the Board approves the consolidated financial statements for each financial period, the group's CEO and CFO provide a declaration that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. 	Yes
The company's auditor should attend the AGM and be available to answer questions from security holders relevant to the audit.	<ul style="list-style-type: none"> The Company will make every effort to ensure its external auditor attends the AGM and is available to answer questions from security holders relevant to the audit. 	Yes
Principle 5 – Make timely and balanced disclosure		
Have a written policy for complying with continuous disclosure obligations under the ASX Listing Rules, and disclose that policy or a summary of it.	<ul style="list-style-type: none"> The Company has a Continuous Disclosure Policy which is designed to ensure that all material matters are appropriately disclosed in a balanced and timely manner and in accordance with the requirements of the NSX Listing Rules and Corporations Act 2001(Cth). 	Yes
Principle 6 – Respect the rights of security holders		
Provide information about the Company and its governance to investors via its corporate website.	<ul style="list-style-type: none"> The corporate governance policies are available on the Company's website. 	Yes

5. KEY PEOPLE, INTERESTS AND CORPORATE GOVERNANCE

Principle and Recommendations	Description	Compliant
Design and implement an investor relations program to facilitate effective two-way communication with investors.	<ul style="list-style-type: none"> The Company has a Shareholder Communication Policy. It aims to ensure that all shareholders are well informed of the Company's major developments and that the full participation by shareholders at the Company's AGM is facilitated. 	Yes
Disclose the policies and processes in place to facilitate and encourage participation at meetings of security holders.	<ul style="list-style-type: none"> The Company utilises appropriate technology at its General Meetings to facilitate the participation of security holders in meetings. The Company also encourages security holders who are not able to attend the meeting to provide questions or comments ahead of the meeting. Where appropriate, these questions are then answered at the meeting. 	Yes
Give security holders the option to receive communications from, and send communications to, the Company and its share registry electronically.	<ul style="list-style-type: none"> The Company actively encourages shareholders to provide their e-mail address to the Company to facilitate increased effective communication. The Company's share registry also has e-communication capabilities that allow it to communicate electronically with security holders when appropriate. 	Yes
Principle 7 – Recognise and manage risk		
<p>The board should have a risk committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members.</p> <p>The functions and operations of the risk committee should be disclosed.</p>	<ul style="list-style-type: none"> The Company has established an Audit and Risk Management Committee. The Audit and Risk Management Committee comprises of three directors, all of whom are independent directors. The chair of the Audit and Risk Management Committee is an independent non-executive director. The Chart of the Audit and Risk Management Committee is available on the Company's website. The role and operations of the committee are established under the charter. 	Yes

5. KEY PEOPLE, INTERESTS AND CORPORATE GOVERNANCE

Principle and Recommendations	Description	Compliant
The board or a committee of the board should review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, and disclose, in relation to each reporting period, whether such a review has taken place.	<ul style="list-style-type: none"> The Audit and Risk Management Committee periodically reviews the Company's risk management framework to satisfy itself that it continues to be sound and that the Company is operating appropriately. 	Yes
Disclose if the Company has an internal audit function, how the function is structured and what role it performs, or if it does not have an internal audit function, that fact and the processes the Company employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	<ul style="list-style-type: none"> The Company does not have a formal internal audit function, however it employs appropriate processes for evaluating and continually improving the effectiveness of its risk management and internal control processes as set out in the Audit and Risk Management Committee Charter. 	Yes
Disclose whether the Company has any material exposure to economic, environmental and social sustainability risks and, if so, how it manages those risks.	<ul style="list-style-type: none"> The Audit and Risk Management Committee evaluates, reports and provides assurance to the board in respect of any identified material exposure to economic, environmental and social sustainability risks. 	Yes

5. KEY PEOPLE, INTERESTS AND CORPORATE GOVERNANCE

Principle and Recommendations	Description	Compliant
Principle 8 – Remunerate fairly and responsibly		
<p>The board should have a remuneration committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members.</p> <p>The functions and operations of the remuneration committee should be disclosed.</p>	<ul style="list-style-type: none"> The Company has established a Remuneration and Nomination Committee. The committee has at least three members, all of whom are independent Directors and is chaired by an independent Non-Executive Director. The Remuneration and Nomination Committee is responsible for assisting the Board to fulfil its corporate governance responsibilities in regard to remuneration and nomination matters. The Remuneration and Nomination Committee Charter outlines the committee's authority, duties, responsibility and relationship with the Board and is available on the Company's website. 	Yes
<p>The policies and practices regarding the remuneration of non-executive directors, and the remuneration of executive directors and other senior executives, should be separately disclosed.</p>	<ul style="list-style-type: none"> Aobo intends to adopt remuneration policies which include separately disclosing the remuneration of Non-Executive Directors, and the remuneration of executive Directors and other senior executives. No Director or senior executive is involved directly in deciding their own remuneration. 	Does not presently comply, however the Company intends to disclose these policies and practices in its future annual reports.
<p>If the Company has an equity— based remuneration scheme, it should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and disclose that policy or a summary of it.</p>	<ul style="list-style-type: none"> The Company does not have an equity-based remuneration scheme. 	Yes



6. OVERVIEW OF APPLICABLE PRC LAWS AND REGULATIONS

6. OVERVIEW OF APPLICABLE PRC LAWS AND REGULATIONS

The main laws and regulations which are applicable to the Company's operations in the PRC are summarised as below:

6.1 FOREIGN EXCHANGE

The main law governing foreign currency exchange in PRC is the Regulation on Foreign Exchange Administration. According to this Regulation, together with other regulations promulgated by the State Administration of Foreign Exchange (SAFE) and other regulatory authorities, the foreign exchange payments for the current account transactions are not restricted but shall be made, in accordance with the regulations of the SAFE on the foreign exchange by presenting effective documents. However, foreign exchange payments for capital account transactions are subject to the approval or registration of SAFE and/or its local branches and other relevant PRC government authorities.

6.2 DIVIDEND DISTRIBUTION

Pursuant to the Implementation Rules for the Wholly Foreign-owned Enterprise Law, wholly foreign-owned enterprises in China shall, after payment of income taxes on their profits pursuant to the tax laws of China, retain at least 10% of their after-tax profits each year as reserve funds, and the retention can only stop when the cumulative amount of the reserve funds reaches 50% of the registered capital. These reserve funds cannot be reallocated as cash dividends. In addition, wholly foreign-owned enterprises should retain some of their after-tax profits as staff incentive and welfare funds, the proportion of which may be determined by themselves.

Tax Law prescribes a withholding tax rate of 10% on dividends and other PRC sourced passive income of non-resident enterprise, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a preferential withholding arrangement. Pursuant to the Arrangement between mainland PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income signed on August 21, 2006 (the Hong Kong Tax Treaty), a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiary if it holds a 25% or more interest in that particular PRC subsidiary, or 10% if it holds less than a 25% interest in that subsidiary. In addition, the State Administrative of Taxation of China (SAT) promulgated a tax notice on 27 October 2009, or Circular 601, which provides that tax treaty benefits will be denied to "conduit" or shell companies without business substance, and a beneficial ownership analysis will be used based on a "substance-over-the-form" principle to determine whether or not to grant tax treaty benefits.

6.3 LAND ADMINISTRATION

Pursuant to the Land Administration Law of the PRC, the state implements the system of compensated use of state-owned land and the system of control over the usages of land. The ownership and use right of land registered according to law shall be protected. Any entities or individuals who need to use land for construction must apply for the use of state-owned land in accordance with the law and obtain the state-owned land use right by way of paying land use right grant fees and other fees and expenses according to the standards and ways prescribed by the State Council.

6. OVERVIEW OF APPLICABLE PRC LAWS AND REGULATIONS

All land in the PRC is owned by the government and its ownership cannot be sold or transferred by or to any individual or private entity. Instead, the government grants or allocates landholders a “land use right.” Granted land use rights are provided by the government in exchange for a grant fee, and carry the rights to pledge, mortgage, lease, and transfer within the term of the grant. Land is granted for a fixed term — generally 70 years for residential use and 50 years for industrial use. The term is renewable. Granted land must be used for the specific purpose for which it was granted.

6.4 EMPLOYMENT

Pursuant to the PRC Labour Laws and PRC Labour Contract Laws, a written employment contract shall be in place to establish an employment relationship. The PRC Labour Contract Laws have certain provisions relating to (including but not limited to) the signing and termination of employment contracts, payment of remuneration to employees, economic compensation and compensation, minimum wages, working hours, time limits for probation periods and social insurance payments.

6.5 SOCIAL INSURANCE

Pursuant to the Social Insurance Law of the PRC, the State establishes social insurance system, including basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance. The basic pension insurance, basic medical insurance and unemployment insurance premiums shall be paid jointly by the employers and employees. The work-related injury insurance and maternity insurance premiums shall be paid by the employers, while the employees are not required to pay. Enterprises in China shall apply for social insurance registration with social insurance authority and pay social insurance premiums for their employees.

6.6 TAXATION

The Company's subsidiaries in China are subject to the following tax in the PRC

No	Description of Tax	Tax Rate
1	Value-added Tax (VAT)	13%
2	Company Income Tax	15%
3	Urban Maintenance and Construction Tax	7% of VAT
4	Additional Education Tax	3% of VAT
5	Local Additional Education Tax	2% of VAT

The sale of goods, repairs and replacement services and the provision of labour services in relation to the processing of goods and import of goods within the PRC are subject to value-added tax (VAT) and the VAT rate applied to Aobo is generally 13% unless otherwise stipulated by laws.

The standard rate for corporate income tax is 25%. This rate is reduced to 15% if the tax payer is a PRC Company recognised by the government as a high-tech enterprise. Aobo has obtained a ‘High and New Tech Enterprise’ Certificate which allows the application of preferential corporate income tax rate of 15%.

If a company is located in city, the tax rate for Urban Maintenance and Construction Tax is 7% of VAT. Furthermore, Aobo pays an additional Education Tax.

6. OVERVIEW OF APPLICABLE PRC LAWS AND REGULATIONS

6.7 CERTIFICATION OF HIGH AND NEW TECH ENTERPRISES

According to the Administrative Measures for Certification of High and New Technology Enterprises, a resident enterprise registered within the PRC which, within the High and New Technology Areas Specifically Supported by the State, conducts ongoing research and development and transformation of technological achievement, forming its core independent intellectual property rights based on which business activities are carried out, is a High and New Technology Enterprise upon certification. An enterprise legally certificated as a High and New Technology Enterprise is entitled to apply for preferential taxation policies according to the Enterprise Income Tax Law and relevant regulations. A qualified enterprise will be issued the High and New Technology Enterprise Certificate and the qualification of a certificated enterprise shall be valid for a term of three years from the issuance date of the certificate. A qualified High and New Technology Enterprise shall apply for review within three months prior to expiration. The qualification of a High and New Technology Enterprise shall remain unchanged if it satisfies the certification conditions upon review by the certification authority.

6.8 ENVIRONMENTAL LAWS

Business operations of the Company's subsidiaries in China must be carried out in compliance with all environmental legislation and regulations including the Environmental Protection Law of the PRC. Pursuant to the Law, any organisation that discharges pollutants shall take effective measures to prevent and control the environmental pollution and harm caused by waste gas, waste water, waste residues etc generated in production, construction or related activities. Environmental impact assessment must be carried out in the formulation of relevant development and utilisation plans and construction of projects which have an impact on environment. A violation of the PRC's Environmental Protection Law may result in fines, suspension of operation, winding-up or criminal liabilities.

6.9 WORK SAFETY LAW

According to the Work Safety Law of the PRC, companies in production and operation should meet the conditions for work safety as specified by relevant laws and regulations and national standards or industry standards. If a company does not meet the conditions for work safety, it should not engage in production and business activities.

6.10 PRODUCT QUALITY LAW

The Product Quality Law is applicable to manufacture and distribution of any products within the territory of the PRC. Both the manufacturer and the distributor shall be liable for failing to meet the prescribed quality standards. Breaching the Law may result in fines, suspension of operations, or revoke of its business licence and criminal liability.

6.11 CONSUMER RIGHTS PROTECTION

Business operators, in the supply of goods manufactured and sold by them or services to consumers, shall comply with the Law of the PRC on the Protection of Consumer Rights. According to the Law, business operators must ensure that the goods or services provided by them meet the requirements for safeguarding personal and property safety. For goods and services that may endanger personal and property safety, the consumers should be provided with a true description

6. OVERVIEW OF APPLICABLE PRC LAWS AND REGULATIONS

and an explicit warning, as well as a description and indication of the proper way to use the goods or accept the services and the methods of preventing the occurrence of hazard. If the goods or services provided by the business operators cause personal injuries to consumers or third parties, the business operators shall compensate for the loss.

6.12 PATENT LAW

The PRC Patent Law provided that application for invention or utility model patent must meet three criteria ie novelty, inventiveness and practicability. The duration of a patent right for “invention” is 20 years, and the duration of a patent right for “utility model” or “designs” is 10 years, from the date of application. A patent owner shall pay an annual fee from the year in which the patent is granted. If no annual fee has been paid as required, the patent shall be subject to early termination before its expiry. In the event that a patent is exploited without the prior authorisation of the patentee, namely an infringement upon the patent right of the patentee, infringers shall commit to stop infringement and make compensation under the applicable regulations.

6.13 TRADEMARK LAW

According to the PRC Trademark Law, the Trademark Bureau shall be responsible for the registration and administration of trademarks throughout the country. No trademark application will be accepted if the intended trademark is similar or identical to any prior registered trademark or any trademarks completed preliminary examination, in the same or similar class. A public announcement shall be made upon completion of a preliminary examination of the trademark pending for registration by the Trademark Bureau, and any person may file an opposition against the foregoing trademark pending for registration within three months from the date of the publication. The Trademark Bureau will grant a certificate of trademark registration to the trademark applicant if no objection has been received upon expiry of the above period.

The valid period of a registered trademark is ten years subject to renewal from the date of the approval for registration. During this period, a trademark registrant is entitled to enjoy an exclusive right to use the trademark and authorise other persons to use his/her registered trademark by signing a trademark licence contract.



7. FINANCIAL INFORMATION

7. FINANCIAL INFORMATION

7.1 INTRODUCTION

This Section contains a summary of the Historical Financial Information and Pro Forma Historical Financial Information (collectively referred to as the Financial Information) in relation to Aobo Environmental Technology Limited (Aobo) which the Directors consider relevant to investors.

Investors are referred to Section 12.2 of the Prospectus for an overview of Aobo's corporate structure. Investors should note that Aobo's financial year ends on 31 December.

The Historical Financial Information comprises the following:

- Audited Historical Statement of Profit or Loss and Other Comprehensive Income for Aobo Environmental New Energy (Wuxi) Co.,Ltd for the years ended 31 December 2016 ("FY2016") and 31 December 2017("FY2017"), and for Aobo Environmental Technology (Hong Kong) Limited for the year ended 31 December 2018 ("FY2018");
- Reviewed Historical Statement of Profit or Loss and Other Comprehensive Income for Aobo Environmental Technology (Hong Kong) Limited for the period ended 30 June 2019 ("HY2019");
- Audited Historical Statement of Cash flows for Aobo Environmental New Energy (Wuxi) Co.,Ltd for FY2016 and FY2017 and for Aobo Environmental Technology (Hong Kong) Limited for FY2018;
- Reviewed Historical Statement of Cash flows for Aobo Environmental Technology (Hong Kong) Limited for HY2019; and
- Reviewed Statement of Financial Position of Aobo Environmental Technology (Hong Kong) Limited as at 30 June 2019.

The Pro Forma Historical Financial Information incorporates the historical Statement of Financial Position of Aobo Environmental Technology (Hong Kong) Limited. Aobo Environmental Technology (Hong Kong) Limited became part of the Aobo Group on completion of the restructure on 19 November 2019 (refer to Section 7.7.1).

The Financial Information should be read together with the other information contained in this Prospectus.

7.2 BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

The Historical and Pro Forma Financial Information included in this Section has been prepared in accordance with the recognition and measurement principles prescribed by International Financial Reporting Standards (IFRS). The Directors are not aware of any reconciliatory differences between the application of IFRS and the Australian equivalents to International Financial Reporting Standards (AIFRS) which require disclosure within this financial information section.

The Historical and Pro Forma Financial Information is presented in an abbreviated form and does not contain all of the disclosures, statements or comparative information required by Australian Accounting Standards applicable to financial reports prepared in accordance with the Corporation Act 2001.

The Historical and Pro Forma Financial Information has been prepared for the purpose of the Offer.

7. FINANCIAL INFORMATION

The Historical and Pro Forma Financial Information has been derived from the audited historical financial statements for FY2016, FY2017 and FY2018 and reviewed historical financial statements for HY2019.

The historical financial statements were prepared in Chinese Yuan ("RMB") and in accordance with International Financial reporting Standards. For the purpose of the Prospectus and the disclosure in this financial information and to reflect the functional and presentational currency that Aobo will report in going forward as a NSX listed company the Historical and Pro Forma Financial Information has been translated to AUD.

Foreign exchange rates applied to the historical financial information

The applied average and spot exchange rates used for the translation of the historical financial information to the historical and pro forma financial over the historical periods have been set out below:

Average rate during the period		FY2016	FY2017	FY2018	HY2019
1 RMB – Chinese Yuan	AUD\$:	\$0.2026	\$0.1931	\$0.2025	\$0.2087

Spot rate as at		31-Dec-16	31-Dec-17	31-Dec-18	30-Jun-19
1 RMB – Chinese Yuan	AUD\$:	\$0.1999	\$0.1969	\$0.2061	\$0.2074

The Historical Financial Information of Aobo Environmental New Energy (Wuxi) Co., Ltd has been extracted from the audited financial statements for FY2016 and FY2017 and has been translated from RMB to AUD for the purposes of the disclosure of this financial information in the Prospectus. No other pro forma adjustments have been made to the historical audited financial statements for FY2016 and FY2017 other than the foreign currency translation.

Aobo Environmental Technology (Hong Kong) Limited was incorporated on 15 December 2017 and acquired a 100% interest in Aobo Environmental New Energy (Wuxi) Co., Ltd via a holding company, Aobo Environmental Technology (Wuxi) Co.,Ltd (incorporated in PRC) in FY2018.

The Historical Financial Information of Aobo Environmental Technology (Hong Kong) Limited has been extracted from the audited consolidated financial statements for FY2018 and reviewed consolidated financial statements for HY2019, and has been translated from RMB to AUD for the purposes of the disclosure of this financial information in the Prospectus. No other pro forma adjustments have been made to the historical audited financial statements for FY2018 and historical reviewed financial statements for HY2019 other than the foreign currency translation.

Aobo Environmental Technology Limited was incorporated on 29 April 2019 as a public company to enable the listing on the NSX. There are no actual historical consolidated financial results for the Company. On 19 November 2019, the Company completed the acquisition of 100% of the share capital of Aobo Environmental Technology (Hong Kong) Limited.

The Historical and Pro Forma Statement of Financial Position presented in the Prospectus reflects a consolidation of the Aobo Environmental Technology (Hong Kong) Limited that will comprise the Aobo Group upon listing, and therefore assumes both the acquisition and listing.

7. FINANCIAL INFORMATION

Grant Thornton Audit Pty Ltd have audited the historical financial statements of Aobo Environmental New Energy (Wuxi) Co., Ltd for FY2016 and FY2017 and Aobo Environmental Technology (Hong Kong) Limited for FY2018 and reviewed historical financial statements of Aobo Environmental Technology (Hong Kong) Limited for HY2019.

A qualified audit opinion was issued for FY2016 and FY2017 due to the auditors not being able to observe the counting of the physical inventories at the beginning of FY2016 and FY2017 or satisfy themselves concerning those inventory quantities by alternative means. Since opening inventories affect the determination of the results of operations, the auditors were unable to determine whether adjustments to the results of operations and opening retained earnings might be necessary for FY2016 and FY2017. An unqualified audit opinion was issued for FY2018 and an unqualified review conclusion was issued for HY2019.

The Directors are responsible for the inclusion of all financial information in this Prospectus. Investors should note that historical financial performance is not a guide for future financial performance.

The Historical and Pro Forma Financial Information has been reviewed by Bentleys Audit & Corporate (WA) Pty Ltd, whose Independent Limited Assurance Report is contained in Section 8. Investors should note the scope and limitations of that report. The information in this section should also be read in conjunction with the risk factors set out in section 9 and other information contained in this prospectus.

7.3 HISTORICAL PRO FORMA STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Reviewed HY2019 ⁽²⁾ \$	Audited FY2018 ⁽²⁾ \$	Audited FY2017 ⁽¹⁾ \$	Audited FY2016 ⁽¹⁾ \$
Sales revenue	6,198,807	19,570,815	16,113,230	7,341,616
Cost of Sales	(3,995,353)	(11,308,410)	(9,857,755)	(4,662,839)
Gross Profit	2,203,454	8,262,405	6,255,475	2,678,777
Other income	40,070	51,435	15,448	3,647
Interest income	—	30,375	966	—
Sales and marketing expenses	(637,579)	(669,465)	(583,355)	(566,267)
Research and development expenses	(556,603)	(1,066,973)	(823,572)	(556,947)
Provision for expected credit losses expenses	(189,082)	—	—	—
Administrative expenses	(534,272)	(1,130,558)	(392,959)	(504,474)
Other expenses	—	(34,830)	(128,991)	(31,808)
Finance costs	(184,282)	(121,703)	(1,545)	(810)
Profit/(loss) before income tax expense	141,706	5,320,686	4,341,467	1,022,118
Income tax (expense)/benefit	70,332	(646,785)	(702,498)	(115,279)
Profit/(loss) after income tax	212,038	4,673,901	3,638,969	906,839
Other comprehensive income for the period, net of tax	67,520	242,116	36,705	(70,515)
Total comprehensive income	279,558	4,916,017	3,675,674	836,324

(1) Aobo Environmental New Energy (Wuxi) Co., Ltd

(2) Aobo Environmental Technology (Hong Kong) Limited

The proforma numbers presented above have been extracted from the above entities financial statements and translated from RMB to AUD.

7. FINANCIAL INFORMATION

7.4 HISTORICAL PRO FORMA STATEMENTS OF FINANCIAL POSITION

	Reviewed 30 June 2019 ⁽²⁾ \$	Audited 31 December 2018 ⁽²⁾ \$	Audited 31 December 2017 ⁽¹⁾ \$	Audited 31 December 2016 ⁽¹⁾ \$
Current assets				
Cash and cash equivalents	153,891	2,002,262	425,107	462,769
Trade and other receivables	12,773,144	18,761,695	7,474,718	4,565,916
Inventories	1,994,981	1,957,126	1,342,661	2,395,402
Right-of-use assets	85,034	—	—	—
Other current assets	5,759,913	688,580	337,684	356,222
Total current assets	20,766,963	23,409,663	9,580,170	7,780,309
Non-current assets				
Property, plant and equipment	899,701	1,018,752	1,044,751	163,918
Right-of-use assets	42,517	—	—	—
Intangible assets	87,108	105,111	—	—
Deferred tax assets	84,412	50,495	27,763	8,196
Land use right	1,968,848	—	—	—
Total non-current assets	3,082,586	1,174,358	1,072,514	172,114
Total assets	23,849,549	24,584,021	10,652,684	7,952,423
Current liabilities				
Trade and other payables	3,980,628	5,714,123	3,757,049	5,431,083
Contract liabilities	681,724	363,354	—	—
Current tax liabilities	71,138	848,102	894,123	195,502
Lease liabilities	87,938	—	—	—
Other financial liabilities	7,790,981	6,740,913	—	—
Total current liabilities	12,612,409	13,666,492	4,651,172	5,626,585
Non-current liabilities				
Lease liabilities	43,969	—	—	—
Total non-current liabilities	43,969	—	—	—
Total liabilities	12,656,378	13,666,492	4,651,172	5,626,585
Net assets	11,193,171	10,917,529	6,001,512	2,325,838
Equity				
Issued capital	197,400	197,400	197,400	197,400
Reserves	410,183	342,663	100,547	63,842
Retained earnings	10,585,588	10,377,466	5,703,565	2,064,596
Total equity	11,193,171	10,917,529	6,001,512	2,325,838

(1) Aobo Environmental New Energy (Wuxi) Co.,Ltd

(2) Aobo Environmental Technology (Hong Kong) Limited

The proforma numbers presented above have been extracted from the above entities financial statements and translated from RMB to AUD.

7. FINANCIAL INFORMATION

7.5 HISTORICAL STATEMENTS OF CASH FLOWS

	Reviewed HY2019 ⁽²⁾ \$	Audited FY2018 ⁽²⁾ \$	Audited FY2017 ⁽¹⁾ \$	Audited FY2016 ⁽¹⁾
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	6,109,066	10,205,190	12,329,049	6,443,490
Payments to suppliers and employees	(7,140,671)	(12,249,225)	(10,802,593)	(6,394,056)
Interest received	40,070	30,375	966	1,013
Finance costs	(182,404)	(117,045)	(1,545)	(810)
Income tax paid	(750,485)	(754,313)	(33,599)	(50,042)
Net cash provided by (used in) operating activities	(1,924,424)	(2,885,018)	1,492,278	(405)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment	(3,548)	(156,938)	(1,089,470)	(28,769)
Receipts from disposal of property, plant and equipment	—	2,025	21,241	—
Purchase of intangible assets	(11,896)	(107,730)	—	—
Purchase of land use right	(1,993,711)	—	—	—
Net cash provided by (used in) operating activities	(2,009,155)	(262,643)	(1,068,229)	(28,769)
FINANCING ACTIVITIES				
Proceeds of borrowings	—	4,657,500	—	—
Proceeds from other financial liabilities	2,087,000	—	—	—
Repayment of advances (to)/from related parties	(26,088)	20,250	(454,171)	(269,458)
Net cash provided by (used in) operating activities	2,060,812	4,677,750	(454,171)	(269,458)
Net change in cash and cash equivalents held	(1,872,667)	1,530,089	(30,122)	(298,632)
Cash and cash equivalents at the beginning of the year	2,002,262	425,107	462,769	799,479
Effect of exchange rate fluctuation	24,296	47,066	(7,540)	(38,078)
Cash and cash equivalents at the end of the year/period	153,891	2,002,262	425,107	462,769

(1) Aobo Environmental New Energy (Wuxi) Co.,Ltd

(2) Aobo Environmental Technology (Hong Kong) Limited

The proforma numbers presented above have been extracted from the above entities financial statements and translated from RMB to AUD.

7. FINANCIAL INFORMATION

7.6 HISTORICAL AND PRO FORMA STATEMENTS OF FINANCIAL POSITION

	30 June 2019 \$	Pro forma Adjustments (Minimum Subscription) \$	Pro forma (Minimum Subscription) \$	Pro forma Adjustments (Maximum Subscription) \$	Pro forma (Maximum Subscription) \$
Current assets					
Cash and cash equivalents	153,891	484,433	638,324	4,671,648	4,825,539
Trade and other receivables	12,773,144	—	12,773,144	—	12,773,144
Inventories	1,994,981	—	1,994,981	—	1,994,981
Right-of-use assets	85,034	—	85,034	—	85,034
Other current assets	5,759,913	—	5,759,913	—	5,759,913
Total current assets	20,766,963	484,433	21,251,396	4,671,648	25,438,611
Non-current assets					
Property, plant and equipment	899,701	—	899,701	—	899,701
Right-of-use assets	42,517	—	42,517	—	42,517
Intangible assets	87,108	—	87,108	—	87,108
Deferred tax assets	84,412	—	84,412	—	84,412
Land use right	1,968,848	—	1,968,848	—	1,968,848
Total non-current assets	3,082,586	—	3,082,586	—	3,082,586
Total assets	23,849,549	484,433	24,333,982	4,671,648	28,521,197
Current liabilities					
Trade and other payables	3,980,628	—	3,980,628	—	3,980,628
Contract liabilities	681,724	—	681,724	—	681,724
Current tax liabilities	71,138	—	71,138	—	71,138
Lease liabilities	87,938	—	87,938	—	87,938
Other financial liabilities	7,790,981	—	7,790,981	—	7,790,981
Total current liabilities	12,612,409	—	12,612,409	—	12,612,409
Non-current liabilities					
Lease liabilities	43,969	—	43,969	—	43,969
Total non-current liabilities	43,969	—	43,969	—	43,969
Total liabilities	12,656,378	—	12,656,378	—	12,656,378
Net assets	11,193,171	484,433	11,677,604	4,671,648	15,864,819
Equity					
Issued capital	197,400	800,000	997,400	5,000,000	5,197,400
Reserves	410,183	—	410,183	—	410,183
Retained earnings	10,585,588	(315,567)	10,270,021	(328,352)	10,257,236
Total equity	11,193,171	484,433	11,677,604	4,671,648	15,864,819

7. FINANCIAL INFORMATION

The pro forma statement of financial position as at 30 June 2019 is based on the consolidated statements of financial position of AOBO Environmental Technology (Hong Kong) Limited and Aobo Environmental Technology Limited (a public company to be listed on the NSX) as at 30 June 2019 after allowing for the following adjustments:

7.7 SUBSEQUENT EVENT AND PRO FORMA ADJUSTMENTS

7.7.1 Subsequent event and the restructure accounting undertaken

Aobo Environmental Technology Limited was incorporated on 29 April 2019 for the purposes of acquiring 100% of the share capital of Aobo Environmental Technology (Hong Kong) Limited. On 19 November 2019, the Company completed the acquisition of 100% of the share capital of Aobo Environmental Technology (Hong Kong) Limited. In consideration of this acquisition, the Company issued 189,999,900 ordinary shares to the existing shareholders.

The transaction is one referred to in AASB 3: "Business Combinations" as a common control transaction, as ultimate control was maintained by the same party prior and subsequent to the transaction. Therefore, the net assets of the acquired business were recognised at their previous carrying amount, with no corresponding value been recognised to reflect the value of the ordinary shares issued to effect the transaction.

The reviewed financial position of Aobo Environmental Technology (Hong Kong) Limited at 30 June 2019 is set out below:

	30 June 2019 \$
Current assets	
Cash and cash equivalents	153,891
Trade and other receivables	12,773,144
Inventories	1,994,981
Right-of-use assets	85,034
Other current assets	5,759,913
Total current assets	20,766,963
Non-current assets	
Property, plant and equipment	899,701
Right-of-use assets	42,517
Intangible assets	87,108
Deferred tax assets	84,412
Land use right	1,968,848
Total non-current assets	3,082,586
Total assets	23,849,549

7. FINANCIAL INFORMATION

	30 June 2019 \$
Current liabilities	
Trade and other payables	3,980,628
Contract liabilities	681,724
Current tax liabilities	71,138
Lease liabilities	87,938
Other financial liabilities	7,790,981
Total current liabilities	12,612,409
Non-current liabilities	
Lease liabilities	43,969
Total non-current liabilities	43,969
Total liabilities	12,656,378
Net assets	11,193,171
Equity	
Issued capital	197,400
Reserves	410,183
Retained earnings	10,585,588
Total equity	11,193,171

Pro forma adjustments

The following transactions and events contemplated in this Prospectus which are to take place on or before the completion of the Offer, referred to as the pro forma adjustments, are presented as if they, together with the Offer, had occurred on or before 30 June 2019 and are set out below.

Pro forma transactions

- The issue of 3,200,000 Shares to raise \$800,000 before costs (Minimum Subscription) and up to 20,000,000 Shares to raise up to \$5,000,000 (Maximum Subscription);
- Payment of costs associated with the above offer of \$315,567 on a Minimum Subscription and \$328,352 on a Maximum Subscription;

On 15 November 2019, the Company completed the acquisition of 100% of the share capital of Aobo New Energy Pty Ltd from Mr Zhang Jiangang for \$1. Aobo New Energy Pty Ltd (ANE) was incorporated in October 2017 and did not operate until 2019. ANE holds a small amount of cash and has minimal expenditure. As the operations are immaterial the acquisition has not been disclosed in the pro forma financial information. Refer to section xx of the Prospectus Related parties for further details.

7. FINANCIAL INFORMATION

7.7.2 Pro forma cash and cash equivalents

	Pro forma adjustment	Pro Forma (Minimum) 30 June 2019 \$	Pro Forma (Maximum) 30 June 2019 \$
Cash and cash equivalents	7.7.1	153,891	153,891
<i>Pro forma adjustments:</i>			
Proceeds from issue of Shares under this Prospectus	7.7.1(a)	800,000	5,000,000
Expenses of the Offer	7.7.1(b)	(315,567)	(328,352)
Pro forma Balance		638,324	4,825,539

7.7.3 Pro forma issued capital

	Pro forma adjustment	Pro Forma (Minimum) 30 June 2019 \$	Pro Forma (Maximum) 30 June 2019 \$
Issued capital at 30 June 2019		—	—
Subsequent event:			
Issued capital recognised as part of the restructure	7.7.1	197,400	197,400
Pro forma transactions:			
Proceeds from shares issued under the Offer	7.7.1(a)	800,000	5,000,000
Pro forma issued capital		997,400	5,197,400

7.7.4 PRO FORMA RETAINED EARNINGS

	Pro forma adjustment	Pro Forma (Minimum) 30 June 2019 \$	Pro Forma (Maximum) 30 June 2019 \$
Retained earnings at 30 June 2019		—	—
Subsequent event:			
Retained earnings as part of the restructure	7.7.1	10,585,588	10,585,588
Pro forma transaction:			
IPO costs expensed in relation to the Offer	7.7.1(b)	(315,567)	(328,352)
Pro forma retained earnings		10,270,021	10,257,236

7. FINANCIAL INFORMATION

7.8 NOTES TO AND FORMING PART OF THE HISTORICAL AND PRO FORMA CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

Note 1: Summary of significant accounting policies

The financial information has been prepared using the significant accounting policies and measure bases summarized below.

a) Basis of Accounting

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied.

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

b) Principle of Consolidation

The Group financial information consolidate those of Aobo Environmental Technology Limited and its controlled entities as of 30 June 2019. Aobo Environmental Technology Limited controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Business Combination

The Group assess whether a business combination is a common control transaction or a change of control transaction. Business combination involving entities under common control is scoped out under AASB 3 Business Combination. AASB 3 provides no guidance on the accounting for these types of transactions; however requires an entity to develop an accounting policy. The two most common methods utilised are the purchase method and the pooling of interest-type method (predecessor value method).

Management has determined the pooling of interest-type method to be the most appropriate. The pooling of interest-type method requires the consolidated financial statements to be prepared using the predecessor book value without any step up to fair value. The difference between any consideration given and aggregate book value of the assets and liabilities of the acquired entity are recorded as an adjustment to equity. This may be recorded in retained earnings/reserve and no additional goodwill is created by the transaction. The comparatives have been presented as if the

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combination had occurred from the date when the combining entities first came under the control of the ultimate holding entity.

All transaction costs incurred in relation to the business combination are expenses to the consolidated statement of profit or loss and other comprehensive income

c) **Income Tax**

The income tax expense for the year comprises current income tax expense and deferred income tax expense.

Current tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

Deferred tax

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

d) **Property, Plant and Equipment**

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

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The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate	Residual Value	Depreciation Basis
Office equipment	3-5 years	5%	Straight line
Machinery and equipment	10 years	5%	Straight line
Motor vehicle	4 years	5%	Straight line
Leasehold improvements	5 years	—	Straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the profit or loss.

e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis on normal operating capacity. Costs are assigned on the basis of weighted average costs.

f) Leases

Operating lease

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

g) Land use rights

Land use rights have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of land use rights over their estimated useful lives.

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h) Financial Instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, the Group classifies its trade and other receivables as financial assets at amortised cost upon initial recognition.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items.

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

Subsequent measurement financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of Financial assets

AASB 9's impairment requirements use more forward looking information to recognize expected credit losses the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under.

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AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

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i) Impairment of Non-Financial 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 asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss.

Impairment testing is performed annually for intangible assets with indefinite lives and intangible assets not yet available for use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

j) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled wholly within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on government bonds with terms to maturity that match the expected timing of cash flows.

k) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

l) Revenue

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Sale of goods maybe bundled with installation services and warranty services. In order to assess whether sale of good(s) and service(s) in a contract are distinct and therefore give rise to separate performance obligations, the Group considers the following criteria:

- the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer; and

7. FINANCIAL INFORMATION

- the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

The Group allocates the transaction price to the identified performance obligations and recognises revenue when (or as) those performance obligations are satisfied.

For stand-alone sales of goods that are not subject to significant installation services, control transfers at the point in time the customer takes undisputed delivery of the goods. When such items sold together with significant installation services, the goods and services represent a single combined performance obligation over which control is considered to transfer at the point in time the installation is completed.

Revenue from sale of goods is recognised based on the price specified in the contract, net of the estimated volume discounts and rebates. Accumulated experience is used to estimate and provide for the discounts and rebates, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

The sales arrangements often contain an assurance-type warranties, which promises the customer that the delivered products are as specified in the contract. Such warranties is accounted for in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Asset. If a warranty provides a customer with a service in addition to the assurance that the product complies with agreed-upon specifications, the promised service-type warranty is a separate performance obligation and the revenue is recognised over the service period.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts in the consolidated statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

m) Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT, except where the amount of VAT incurred is not recoverable from the Local Taxation Office. In these circumstances, the VAT 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 consolidated statement of financial position are shown inclusive of VAT.

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

n) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the consolidated financial statements based on 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. Actual results may differ from these estimates.

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The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key estimates – Impairment of non-financial assets

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

Key estimates – Estimation of useful lives and residual value of assets

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

Note 2: Commitments and Contingent Liabilities

At the date of the report no other material commitments or contingent liabilities exist that we are aware of, other than those disclosed in this Prospectus. Refer to Section 11 of the Prospectus for the Material Contracts.

7.9 NO PROSPECTIVE FINANCIAL FORECASTS

The Directors have considered the matters outlined in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings because of the variable and uncertain nature of the Company's revenue. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

Notwithstanding the above, this Prospectus includes, or may include, forward looking statements including, without limitation, forward looking statements regarding the Company's financial position, business strategy, and plans and objectives for its business and future operations (including development plans and objectives), which have been based on the Company's current expectations. These forward-looking statements are, however, subject to known and unknown risks, uncertainties and assumptions that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward looking statements are based on numerous assumptions regarding the Company's present and future business strategies and environment in which the Company will operate in the future.

Matters not yet known to the Company or not currently considered material to the Company may impact on these forward-looking statements. These statements reflect views held only as at the date of this Prospectus. In light of these risks, uncertainties and assumptions, the forward-looking statements in this Prospectus might not occur. Investors are therefore cautioned not to place undue reliance on these statements.



8. INVESTIGATING ACCOUNTANT'S REPORT

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19 February 2020

The Directors
Aobo Environmental Technology Limited
Suite 511 434 St Kilda Road
Melbourne VIC 3004

Dear Board of Directors

Independent Limited Assurance Report on Aobo Environmental Technology Limited Historical and Pro forma Financial Information

We have been engaged by Aobo Environmental Technology Limited ("Aobo" or "the Company") to prepare this Independent Limited Assurance Report ("Report") in relation to certain financial information of Aobo for inclusion in the Prospectus. The Prospectus (or "the document") is issued for the purpose of issuing a maximum of 20million Shares at an issue price of \$0.25 per Share to raise a maximum of \$5million (before associated costs). The Offer has a minimum subscription of 3.2million Shares to raise \$800,000 (before associated costs), and assist the Company to meet the requirements for listing on the NSX.

Expressions and terms defined in the document have the same meaning in this Report. This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates for any purpose other than that for which it was prepared.

Scope

You have requested Bentleys to perform a limited assurance engagement in relation to the historical and pro forma historical financial information described below and disclosed in the Prospectus.

The historical and pro forma historical financial information is presented in the Prospectus in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

You have requested Bentleys to review the following historical and pro forma financial information (together the "Historical Financial Information") included in the Prospectus:

- Audited Historical Statement of Profit or Loss and Other Comprehensive Income for Aobo Environmental New Energy (Wuxi) Co.,Ltd for the years ended 31 December 2016 ("FY2016") and 31 December 2017("FY2017"), and for Aobo Environmental Technology (Hong Kong) Limited for the year ended 31 December 2018 ("FY2018")
- Reviewed Historical Statement of Profit or Loss and Other Comprehensive Income for Aobo Environmental Technology (Hong Kong) Limited for the period ended 30 June 2019 ("HY2019");



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- Audited Historical Statement of Cash flows for Aobo Environmental New Energy (Wuxi) Co., Ltd for FY2016 and FY2017 and for Aobo Environmental Technology (Hong Kong) Limited for FY2018
- Reviewed Historical Statement of Cash flows for Aobo Environmental Technology (Hong Kong) Limited for HY2019; and
- Reviewed Statement of Financial Position of Aobo Environmental Technology (Hong Kong) Limited as at 30 June 2019.
- Unaudited historical statement of financial position for Aobo Environmental Technology Limited as at 30 June 2019
- Pro Forma Consolidated Historical Statement of Financial Position for Aobo Environmental Technology Limited as at 30 June 2019

The Historical Financial Information of Aobo Environmental New Energy (Wuxi) Co., Ltd has been extracted from the audited financial statements for FY2016 and FY2017 and has been translated from RMB to AUD for the purposes of the disclosure of this financial information in the Prospectus. No other pro forma adjustments have been made to the historical audited financial statements for FY2016 and FY2017 other than the foreign currency translation.

Aobo Environmental Technology (Hong Kong) Limited was incorporated on 15 December 2017 and acquired a 100% interest in Aobo Environmental New Energy (Wuxi) Co., Ltd via a holding company, Aobo Environmental Technology (Wuxi) Co., Ltd (incorporated in PRC) in FY2018.

The Historical Financial Information of Aobo Environmental Technology (Hong Kong) Limited has been extracted from the audited consolidated financial statements for FY2018 and reviewed consolidated financial statements for HY2019, and has been translated from RMB to AUD for the purposes of the disclosure of this financial information in the prospectus. No other pro forma adjustments have been made to the historical audited financial statements for FY2018 and historical reviewed financial statements for HY2019 other than the foreign currency translation.

Aobo Environmental Technology Limited was incorporated on 29 April 2019 as a public company to enable the listing on the NSX. There are no actual historical consolidated financial results for the Company. On 19 November 2019, the Company completed the acquisition of 100% of the share capital of Aobo Environmental Technology (Hong Kong) Limited.

The Historical and Pro Forma Statement of Financial Position presented in the Prospectus reflects a consolidation of the Aobo Environmental Technology (Hong Kong) Limited that will comprise the Aobo Group upon listing, and therefore assumes both the acquisition and listing.

Grant Thornton Audit Pty Ltd have audited the historical financial statements of Aobo Environmental New Energy (Wuxi) Co., Ltd for FY2016 and FY2017 and Aobo Environmental Technology (Hong Kong) Limited for FY2018 and reviewed historical financial statements of Aobo Environmental Technology (Hong Kong) Limited for HY2019.

A qualified audit opinion was issued for FY2016 and FY2017 due to the auditors not being able to observe the counting of the physical inventories at the beginning of FY2016 and FY 2017 or satisfy themselves concerning

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those inventory quantities by alternative means. Since opening inventories affect the determination of the results of operations, the auditors were unable to determine whether adjustments to the results of operations and opening retained earnings might be necessary for FY2016 and FY2017. An unqualified audit opinion was issued for FY2018 and an unqualified review conclusion was issued for HY2019.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principals contained in Australian Accounting Standards and the company's adopted accounting policies.

Pro Forma historical financial information

You have requested Bentleys to review the pro forma historical Statement of Financial Position as at 30 June 2019 referred to as "the pro forma historical financial information."

The historical pro forma consolidated statement of financial position as at 30 June 2019 assumes completion of the proposed transactions outlined in Section 7.7.1 of the "Financial Information" section which includes the Offer and the event occurring subsequent to 30 June 2019 (the "Pro Forma Transactions") as though they had occurred on that date.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in section note 1 of section 7.8 of the document, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the company's actual or prospective financial position or financial performance.

Directors' responsibility

The directors of Aobo are responsible for the preparation of the historical financial information and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express limited assurance conclusions on the historical financial information and pro forma historical financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable 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.

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Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Historical Financial Information

Conclusions

Historical and Pro Forma Financial Information

Based on our independent review, which is not an audit, nothing has come to our attention that causes us to believe that the historical and pro forma historical financial information, as described in Section 7 of this Prospectus, is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in section 7 of the document.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the historical operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Restriction on Use

Without modifying our conclusions, we draw attention to section 7.1 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

Consent

Bentleys has consented to the inclusion of this Independent Limited Assurance Report in this disclosure document in the form and context in which it is so included (and at the date hereof, this consent has not been withdrawn), but has not authorised the issue of the disclosure document. Accordingly, Bentleys makes no representation or warranties as to the completeness and accuracy of any information contained in this disclosure document, and takes no responsibility for, any other documents or material or statements in, or omissions from, this disclosure document.

Liability

The Liability of Bentleys Audit & Corporate (WA) Pty Ltd is limited to the inclusion of this report in the Prospectus. Bentleys Audit & Corporate (WA) Pty Ltd makes no representation regarding, and takes no responsibility for any other statements, or material in, or omissions from the Prospectus.

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Declaration of Interest

Bentleys Audit & Corporate (WA) Pty Ltd does not have any interest in the outcome of this transaction or any other interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Bentleys Audit & Corporate (WA) Pty Ltd will receive normal professional fees for the preparation of the report.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Chris Nicoloff', written in a cursive style.

CHRIS NICOLOFF FCA
Partner



9. RISK FACTORS

9. RISK FACTORS

9.1 INTRODUCTION

The Company is subject to various risks. Some of these are specific to the Company and others could affect the industry or are more general in nature. Individually or in combination, these risks may affect the future operating and financial performance of the Company and the value of its Shares. There can be no guarantee that the Company will achieve or realise its stated business strategy or any of its forward-looking statements contained in this Prospectus. Investors should note that past performance is not a reliable indicator of future performance.

This Section describes potential risks associated with the Company's business and risks associated with an investment in the Shares. It does not purport to list every risk that may be associated with the Company's business or with an investment in the Shares now or in the future. The occurrence or consequences of some of the risks described in this Section are partially or completely outside the control of the Company, its Directors and its senior management.

Before applying for Shares, investors should satisfy themselves that they have sufficient understanding of the risks of investing in the Company, of investing in the industry and of investing in shares in general, with regard to their own investment objectives, financial circumstances and taxation position. Investors should read this Prospectus in its entirety and should consider consulting their professional advisers before deciding on whether or not to apply for the Shares.

9.2 COMPANY-SPECIFIC RISK FACTORS

Increase in the prices of raw materials and other supplies

The raw materials and supplies which Aobo uses in its products are subject to price fluctuations. In the event that the Company is unable to effectively offset the rise in raw material and supply costs whether through price or otherwise, the Company's future profitability may fall, which will cause material adverse effect on the Company's business, financial condition and results of operations.

Reliance on suppliers

Aobo sources a range of materials, components and finished products for manufacturing its products. Aobo is dependent on external suppliers meeting agreed requirements for, among other things, the volume, quality and time of delivery of its supplies. Any delays in deliveries from suppliers could impact the Company's production plans and sales. The Company has close relationship with key suppliers and has more than one supplier on key components. Any loss of or changes to these key suppliers may have a material and adverse effect on the Company's production, sales and terms of trade. Material increases in the suppliers' costs could lead to high procurement costs for the Company. This could impact the Company's margins or require it to source materials from alternate suppliers. If the Company fails to replace any of its suppliers on commercially reasonable terms, existing margins may not be able to be maintained.

Any of these risks could result in lower sales and higher costs, or adversely affect Aobo's profitability and competitiveness, which in turn, could have a material adverse effect on Aobo's business, financial condition and results of operations.

Reliance on retaining existing and attracting new customers

In order for Aobo to maintain its current position as well as to grow its operations, it is important that Aobo retains existing customers and succeeds in entering into agreements with new customers.

9. RISK FACTORS

There is no guarantee that customers will continue to place orders with the Company or will continue to do so on the same commercial terms. Should the Company be unable to retain existing customers or attracting new customers, or if one or more of these customers use their commercial leverage to push for lower prices or demand supply of products on less favourable terms to the Company, then the business and financial performance of the Company may be adversely affected.

Property lease risk

As at the date of this Prospectus, the Company is leasing the manufacturing facility from an independent third party and the current lease has a term of three years from 1 January 2018 to 31 December 2020. Pursuant to the lease, the Company has been granted the right of renewal of the lease. The Company's new manufacturing facility is under construction and is expected to be completed by August 2020. Notwithstanding the above, there is a risk that the Company may need to relocate its business to another place if the lessor is unwilling to renew the lease, the land is expropriated by the government or if the construction of the new manufacturing facility is delayed due to unexpected circumstances. If the Company is unable to lease other similar properties under similar commercial terms, the Company's business operations may be materially and adversely affected.

Competition risk

The markets in which Aobo operates are competitive, and existing and potential customers could choose to use competitors' products and services. Aobo faces competition in each of its business areas from local and international players. Certain market conditions may cause an increase in competition. Increased competition may cause a downward pressure on the volume and price of the products that the Company is able to sell and could have a material adverse effect on Aobo's business, financial condition and results of operations.

Corporate reputation and brand perception

Aobo relies on its corporate reputation and brand perception for its marketing and sales. The Company's failure to address adverse publicity or other issues including concerns about product quality or similar matters, real or perceived, could negatively impact sentiments towards the Company and its products and brands. Any facts or events that diminish the Company reputation, brand names or related trademarks may adversely affect Aobo's business, financial condition and results of operations.

Unable to retain and attract key personnel and skilled employees

The success of Aobo's business and its growth strategy is reliant upon the continuing service of its senior management and key employees and the ability to attract highly qualified management and skilled employees. If one or more of members of senior management or key employees is/are unable or unwilling to continue in their present positions and the Company is not able to replace them in a timely manner, or at all, its business may be severely disrupted and its financial condition and operating results may be materially and adversely affected.

Changes in the market needs

The Company's competitiveness depends largely on its ability to keep up with changes in market needs so that the Company is able to continuously refine its products to meet customers' needs. There is no assurance that the Company's products will be well accepted by the market at all times.

9. RISK FACTORS

In the event that the Company is unable to meet the needs of customers or that its competitors have developed new products which are more preferable by its customers, the Company's business, financial condition and results of operations may be materially and adversely affected.

Additional requirements for capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its programmes. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

Product quality

Product failures, defects or recalls could materially affect the Company's reputation and brand perception. If any claim or issue arising from a product defect or failure is determined adversely to the Company, coupled with limited insurance coverage, this could have a materially adverse effect on the Company's business, financial condition and results of operations.

Disruptions in the Company's manufacturing facilities

The Company's revenue is dependent on continued operations of its manufacturing facilities. The manufacturing operations are subject to risks including, among other things, the breakdown, failure or sub-standard performance of machinery and equipment, natural disasters, and the need to comply with all applicable laws, regulations and standards such as environmental compliance in the jurisdictions where the Company operates. The occurrence of any material operational problems at the Company's manufacturing facilities in the future may have a material adverse effect on the Company's business, financial condition and results of operations.

Inadequate insurance coverage

In the PRC, it is not customary for businesses to take out extensive insurance protection. The Company maintained Employer's liability insurance and social insurance for its employees. Any uninsured loss or damage, litigation or business disruption, or any increase in the cost of insurance policies, may result in substantial cost to the Company, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Energy storage business expansion in Australia may not be as successful as planned

Energy storage is a new but growing business for Aobo, but its trading history in the market is limited. Aobo was focused on product development, refinement and launch with some sales achieved in late 2018 and 2019. In order to expand its energy storage sales in Australia, Aobo intends to invest proceeds from the Offer into its energy storage business. However, no assurance can be given that Aobo will expand energy storage business in Australia as planned. Aobo's successful expansion of energy storage in Australia is subject to various uncertainties and contingencies such as growth of the Australian economy, market competition and government policies. Success will depend on the ability of the management team to implement the business plan and to respond in a timely manner to any unforeseen circumstances.

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Failure to implement business strategies or future plans successfully

The successful implementation of the Company's business strategies is subject to various uncertainties and contingencies, such as continued growth of global economy, availability of funds, competition and government policies. Factors such as delay in the delivery of raw materials, labour disputes, compliance with laws and regulations, delays in securing requisite government approvals, economic downturn or changes in market conditions, may delay or impede the implementation of the Company's business strategies. Any delay or failure to successfully implement the Company's business strategies could result in the loss or delay in sales, increase in financing costs, and failure to meet profit and earnings projections, any of which may adversely affect the Company's business, operational results and financial condition.

Failure to protect intellectual property rights

There is a risk that Aobo may be unable to detect the unauthorised use of its intellectual property rights. Further, actions taken by Aobo to protect its intellectual property may not be adequate or enforceable and thus may not prevent the misappropriation of its intellectual property. Aobo's failure to protect its intellectual property rights could have an adverse impact on its operations and financial performance.

Litigation

The Company may be subject to litigation, complaints and other claims or disputes, regulatory inquiries or investigations and other enforcement action initiated by customers, employees, regulators or other third parties in the course of its business. Such matters may have a materially adverse effect on the Company's financial performance and position. Even if such matters are successfully defended or settled without financial consequences, they may have a material adverse effect on the Company's reputation.

Foreign exchange risk

Due to its operations in Australia and China, Aobo is exposed to foreign exchange risks involving currency transaction exposure and currency translation exposure. Any depreciation in RMB against the Australian and/or US dollar, as well as any adverse exchange rate fluctuations or volatility would have an adverse effect on Aobo's future financial performance and position.

Aobo does not hedge against adverse movements in the Australian dollar/Chinese RMB or other exchange rates.

Debt financing risks

As at the date of this Prospectus AENWX has five current loans of total amount of RMB33 million (approximately \$7 million) from four banks in China. Each loan has a different maturity date. Loans are either guaranteed by the directors and/or AETWX, or secured with company land. For more information on those loans, refer to section 12.6.

The loans are provided as debt facilities which can be drawn down either in whole or in part when a drawdown request form is submitted to the bank. Each loan facility will be "rolled over" by the bank approving a new loan facility immediately after any principal and interest amounts owing in the old facility has been paid back.

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There are several risks associated with the debt financing:

- (a) cash flow and liquidity risk — the Company needs to set a great amount of cash aside so as to satisfy the bank of its ability to pay back loans when they fall due. As a result, its future business strategies may be constrained due to the inflexibility to utilise its cash reserves and its ability to pay debts must be closely monitored and managed;
- (b) interest rate risk — the Company's interest expenditure fluctuates as interest rate varies when each loan is rolled over — a higher interest rate will increase its interest expense which may materially reduce its profitability for that period; and
- (c) asset disposal risk — the Company may be forced to dispose of its assets to repay loans if it has insufficient cash to pay back loans. If this happens, its business operation will be disrupted, and its financial performance will also be affected.

AENWX has had such financing arrangements with the banks since 2018 and has maintained good credit record with the banks. The good credit record means that the Company is able to roll over the loans with banks and may receive preferential interest rate from the banks for its loans.

The Company considers that having an appropriate level of debt financing is an effective way of funding business activities. However, the Directors are mindful of the risks associated with leveraging and will monitor the Company's debt financing closely. When appropriate, the Company may seek to reduce the amount of interest bearing debts.

Emerging market issuer status

Pursuant to ASIC's Report 368, 'Emerging Market Issuers,' (Report 368), the Company may be classified as an emerging market issuer, being an entity which has:

- (a) material assets located in, or a revenue stream derived from operations in, an emerging market;
- (b) subsidiaries incorporated in and/or listed in an emerging market;
- (c) directors and senior management based offshore in an emerging market.

In Report 368, ASIC identified risks associated with identification as an emerging market issuer, including implementation of good corporate governance in light of a geographically scattered board of directors and implementing effective internal controls and risk management systems where operations are geographically diverse.

ASIC also noted that reliance on a small number of key individuals located outside Australia may raise the risk of substantial transactions benefiting those individuals. Finally, ASIC noted that it may be difficult for external professionals, such as auditors, to verify information or opinions provided by experts or professionals in an overseas jurisdiction. While the Company intends to verify and robustly test the reliability of information, it may be difficult to fully assess the sufficiency and appropriateness of information provided.

While the Company is in the process of implementing best-practice corporate governance, internal controls and risk management systems, some members of the Board of Directors are based in China, while others are based in Australia. While the Company anticipates that it will tailor its compliance arrangements to take this into account, the geographical diversity of the Company's Board may render compliance with such systems more difficult.

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9.3 RISK RELATING TO OPERATING IN THE PRC

Uncertainties with respect to the PRC legal system

The Company's operations in the PRC are governed by PRC laws and regulations. The PRC legal system is mainly based on written status and the legal interpretation by the competent authorities. Prior court decisions could be cited for reference but have limited precedential value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws and considerable progress has been made in introducing laws and regulations when dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, trade and trademark protection. As these laws, regulations and legal requirements are not fully developed and are subject to change, interpretation and enforcement of such laws and regulations could be uncertain. These uncertainties could limit the reliability of legal protections available to the Company and could negatively affect the Company's business, results of operations and financial condition. In addition, any litigation in the PRC could be protracted and result in substantial costs and diversion of resources and management attention.

Repatriation of dividends

As the Company currently generates the majority of its profits through the business operations of its subsidiaries in China, the ability of the Company to pay dividends to shareholders will be dependent upon the PRC subsidiary's ability to distribute profits from China. Although the Company's operating entities are in China, the Company has a WFOE entity. As such, under Chinese law, it is able to remit profits generated in China to overseas if certain requirements are met. However, these laws and processes are subject to the discretion of the Chinese government. Any tightening of this process inhibiting the ability of the WFOE to remit profits out of China may adversely affect the Company's ability to pay dividends to shareholders.

PRC Enterprise Income Tax Law

Under the PRC Enterprise Income Tax Law and its implementation regulations, a reduced withholding tax rate of 10% will be applicable to any dividend payable by foreign-invested enterprises to their non-PRC enterprise investors to the extent such dividends are sourced within the PRC. Under the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income applicable in Hong Kong to income derived in any year of assessment commencing on or after 1 April 2007 and in mainland China to any year commencing on or after 1 January 2007, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds an equity interest of 25% or more in each such PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% equity interest in that subsidiary. As such, dividends paid to the Company by operating subsidiaries in China may be subject to a reduced withholding tax at a rate of 5% under this arrangement, provided that AOBO (HK) is deemed a "beneficial owner" of such income and that neither the Company nor AOBO (HK) are deemed to be PRC tax resident enterprises.

However, pursuant to the Notice on Interpretation and Determination of "beneficial owner" under tax treaties (Circular 601), the definition of "beneficial owner" is narrowed to individuals, enterprises or other organisations who "normally engage in substantive operations". The Circular 601 also introduced various factors to be considered in determination of whether an entity is a "beneficial owner". If AOBO (HK) is not deemed a beneficial owner under the Circular 601, it may not be able

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to enjoy the 5% preferential tax treatment and as a result the dividends distributed by operating subsidiaries in China will be adversely affected.

Government control of currency conversion

The PRC government imposes control on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payment of current account items, including trade and service-related foreign exchange transactions and payment of dividends, can be made in foreign currencies without approval from the PRC State Administration of Foreign Exchange (SAFE), by complying with certain procedural requirements. Approval from or registration with appropriate government authorities is required where RMB are to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loan principal. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents the Company from obtaining sufficient foreign currencies to satisfy its foreign currency demands, it may not be able to pay dividends in foreign currencies to the Company's shareholders and may limit its ability to finance future activities in Australia.

Land-title risk

According to the relevant PRC laws, all land in the PRC is either state-owned or collectively owned, depending on the location of the land. All land in the urban areas of a city or town is state-owned while all land in the rural areas of a city or town and all rural land is collectively owned, unless otherwise specified by law. Individuals, businesses and other organisations can possess land by being granted land-use rights from the local government for limited time periods.

According to the Urban Real Estate Administration Law of the People's Republic of China, the land user that has maintained continuous use of the land has the right to apply to the land administration department for an extension of the term at least one year before the expiration of the term. The Application would be approved except when the tract of land needs to be taken back in consideration of public interest.

When the term of the land-use right expires and if the land user has not applied for an extension, the right to use the land is returned to the state. Under special circumstances, the state may also take back the land before the expiry of the granted land-use right in consideration of public interest. However, the state is required to give compensation to the related land user. Such compensation is determined by the remaining effective term of the land-use right grant and the conditions of development of the reclaimed land.

Force majeure events, natural disasters or outbreaks of epidemics in the PRC

Any occurrence of force majeure events, natural disasters or outbreaks of epidemics, including but not limited to those caused by the novel coronavirus (as discussed in detail below), may restrict business activities in the areas affected, including manufacturing and distribution. This may in turn adversely affect the level of consumption in the wider economy which could reduce demand for the Company's products from its customers. Further, such circumstances could directly impact the Company's ability to produce and distribute its products as a result of factory closures.

However, the Company believes that the impact of the novel coronavirus epidemic on China's economy will be temporary and will not change the fundamentals of the country's long-term economic growth. The Chinese government has already introduced a series of supportive macroeconomic policies in the aftermath of novel coronavirus outbreak.

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Any future occurrence of natural disasters or outbreaks of epidemics, or the measures taken by the Chinese government in response to such disasters and epidemics, may disrupt the Company's operations or those of its customers, which may have an adverse effect on its business, financial condition and results of operations.

Novel coronavirus (COVID-19)

Wuhan city in China's Hubei province is the epicentre of a recent outbreak of a novel coronavirus (COVID-19). Hubei Province has experienced by far the most infections and counts for approximately 80% of the total COVID-19 infections in China¹². There have since been confirmed cases of individuals contracting coronavirus in other provinces of China and overseas.

On 30 January 2020, the World Health Organization (WHO) declared the coronavirus outbreak a Public Health Emergency of International Concern (PHEIC), but it does not include any advice on restricting cross-country travel, border closure, or restrictions of trade flow.

In an effort to curb the spread of the virus, various measures (including extended holidays, travel restrictions, quarantine controls, and production suspension) have been imposed by the Chinese government, as well as other countries and territories.

Australia has imposed a temporary ban on non-resident travellers from China. This currently restricts Aobo's Chief Executive from entering Australia directly from China.

Furthermore, due to an extended Chinese New Year holiday and factory closures as a result of COVID-19, country-wide production levels in China may be reduced and it may take a period for such factories to re-open or to be at the same capacity that there were operating prior to the outbreak.

Following the instructions from the Jiangsu provincial government for COVID-19 outbreak control, Aobo resumed factory production in Wuxi City on 10 February 2020. Aobo's employees are from the local area and are not currently subject to travel restrictions.

If an outbreak occurs among Aobo's manufacturing workers, this could result in a complete production halt due to self-imposed quarantine measures or instructions from government health authorities.

Measures have been undertaken by Aobo to mitigate this risk of disruption to its operations. Aobo monitors the health conditions of its employees, and provides facemasks for all employees. To date, there have been no recorded or suspected cases of COVID-19 infections found amongst Aobo's employees.

Aobo continues to provide regular online consultation and technical support to existing customers via various electronic-channels including WeChat and video conferencing.

Aobo is working closely with its customers and suppliers to identify any potential disruptions due to the virus. Aobo is also advised by its domestic transportation service provider and its international shipping agent that product transportation and international freight shipping have not currently been suspended amid the outbreak of COVID19.

¹² National Health Commission of the PRC

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However, the domestic transportation and international shipping may take longer than before to the outbreak as a result of quarantine control measures. This has the potential of delaying the supply of materials to Aobo's manufacturing facilities. In turn, Aobo may not have sufficient supplies to manufacture at full capacity. Delays to domestic transportation and international shipping may result in Aobo being unable to meet its customer orders. As a result of these logistical issues, there is a risk of Aobo being in breach of agreements with customers.

Further, there is a chance that the construction of the Company's new manufacturing facility may be delayed by the quarantine of construction workers or the inability to source the necessary construction materials.

Finally, the outbreak of the virus, the PRC government response and other countries response to the outbreak will affect both the Chinese domestic economy and the wider global economy. Slowed growth or recession has the potential to reduce market demand for the Company's products which may adversely affect the Company's financial performance.

9.4 GENERAL INVESTMENT RISKS

Potential fluctuations in prices of Shares

The price at which Shares are quoted on the NSX may increase or decrease due to a number of factors. These factors may cause the Shares to trade below the Offer Price. There is no assurance that the price for the Shares will increase following quotation on the NSX, even if the Company's earnings increase.

The market price and demand for shares quoted on the NSX could be volatile or fluctuate due to numerous factors including:

- (a) fluctuations in the domestic and international market for listed stocks;
- (b) general economic conditions, including interest rates, inflation rates, exchange rates, commodity prices and oil prices;
- (c) changes to government fiscal, monetary or regulatory policies; legislation or regulation; inclusion in or removal from market indices; and
- (d) the nature of the markets in which the Company operates and general operational and business risks.

Exposure to general economic conditions

The operating and financial performance of the Company is influenced by a variety of general domestic and global economic and business conditions that are outside the control of the Company. The US China trade war is causing some economic uncertainty which is having a negative effect on the Chinese economy. Prolonged deterioration in general economic conditions may affect the demand for the Company's products and may have a material adverse effect on the financial performance, financial position, cash flows, dividends, growth prospects and share price of the Company.

Liquidity of Shares

There is currently no public market through which the Shares of the Company may be sold. On Completion of the Offer, there can be no guarantee that an active market will develop or that the price of the Shares will increase. There may be relatively few or many potential buyers or sellers of

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the Shares on the NSX at any time. This may increase the volatility of the market price of the Shares and may prevent investors from acquiring more Shares or disposing of Shares they acquire under the Offer. It may also affect the prevailing market price at which the Shareholders can sell their Shares. This may result in Shareholders who acquire Shares under the Offer receiving a market price for their Shares that is less or more than the Offer Price.

Risk of Shareholder dilution

In future, the Company may elect to issue shares to raise funds for the Company's business operations or corporate strategies that the Company may decide to pursue. While the Company will be subject to the constraints of the NSX Listing Rules regarding the percentage of its capital that it can issue within a 12-month period (other than where exceptions apply), Shareholders may be diluted as a result of such issuance of shares and fundraisings.

Changes in Accounting Standards

Any changes in accounting standards or how they are applied and interpreted may have an adverse impact on the Company's financial performance and position.

Taxation reform

Any changes to the current rate of the Company's income tax in Australia or abroad (i.e., China) may affect Shareholder returns. Any changes to relevant tax laws, the way they are interpreted and applied or to the current rate of taxes could have an adverse effect on the Company's financial performance or results. In addition, any change in tax rules and tax arrangements could also have an adverse effect on the level of dividend imputation or franking and Shareholder returns.

Dividends may not be fully franked

Given the current proportion of the Company's earnings from operations in the PRC, it is unlikely that the Company will have sufficient franking credits in the future to fully frank dividends. There is likewise no guarantee that the franking system will not be varied or abolished. However, it is anticipated by the Management that the proportion of the Company's earnings from distribution of energy storage systems in Australia will generally increase and provide some franking credits in future.

The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or as a refund claim after the end of the income year, will depend on the individual tax position of each Shareholder.



10. TAXATION REPORT

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20 February 2020

Dear Directors

Taxation Report Aobo Environmental Technology Limited

1 Introduction

At the request of the Directors of Aobo Environmental Technology Limited ('The Company'), this Taxation Report has been prepared for inclusion in a Prospectus to be dated on or about 20 February 2020 relating to the offer for subscription of up to 20,000,000 ordinary shares at an offer price of \$0.25 each to raise up to a total of \$5,000,000, with a minimum subscription requirement of 3,200,000 ordinary shares to raise at least \$800,000.

2 Taxation Implications

This report considers the Australian income taxation (including Capital Gains Tax ('CGT')) implications under the Australian Income Tax Assessment Act 1936 and 1997 (ITAA 1936 and ITAA 1997 respectively) for investors who subscribe for ordinary shares issued at \$0.25 each in The Company under the offer.

The taxation implications for shareholders in The Company relate to the receipt of dividends and potential gains on disposal of the shares.

3 General

We are advised that The Company is incorporated in Australia and owns directly and indirectly a number of subsidiaries located in jurisdictions outside of Australia.

4 Scope

The intention of this opinion is to provide a general understanding of the Australian taxation implications for shareholders of The Company.

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Taxation Report - AOBO

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This report covers both residents of Australia and non-residents of Australia in relation to their Australian taxation obligations.

This report provides a general outline for shareholders who hold their shares as an investor, rather than as a trader, and are therefore subject to CGT in respect of the sale of their shares.

This report is based on Australian income tax legislation and established interpretations of that legislation at the date of this report – however, it is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every investor.

This report does not purport to provide advice to any particular investor, as the taxation position of each investor may vary depending on the specific circumstances of the investor. Investors should obtain professional advice relevant to their personal circumstances.

5 Disclaimer

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6 Taxation Treatment of Dividends

The capital raising of The Company involves the issue of shares which will be an equity interest for Australian tax purposes.

The Company may choose to pay a dividend in respect of these shares and may choose to “frank” these shares for Australian taxation purposes to the extent the dividends are paid out of profits and are “frankable” for tax purposes.

To the extent that franked dividends are paid by The Company, the percentage of franking of such dividends will be set by The Company and will depend on the amount of franking credits available to The Company.

Generally, The Company will be entitled to receive franking credits by the payment of corporate income tax and/or the receipt of franked dividends from another entity.

However, franking credits will not arise in respect of the receipt by The Company of income that is non-assessable or exempt. For example, if The Company were to receive certain foreign sourced dividends from a non-Australian resident company in which The Company holds a shareholdings of at least 10%, this dividend will generally be not assessable in Australia and accordingly will not generate franking credits to The Company.

Furthermore, based on the information contained in the Prospectus that The Company’s foreign subsidiaries will derive more than 95% of its income as “active” business income, the directors are of the opinion there should be no activities conducted by foreign subsidiaries of The Company that would give rise to attribution of income to The Company under the Controlled Foreign Company (‘CFC’) provisions. However, this is a matter that will require ongoing monitoring and compliance by The Company.

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Accordingly, The Company, which we understand is planning to pay dividends to its shareholders primarily out of dividends received from its foreign subsidiaries, is not likely to be subject to any Australian income tax in respect of its profits that will allow it to generate franking credits. Therefore, it is not envisaged that dividends paid by The Company to its shareholders will be franked in the immediate future.

The following comments are applicable to franked and unfranked dividends received by an ordinary shareholder. The tax treatment will vary depending on the nature of the entity owning the ordinary shares:

6.1 Dividends Received by Australian Resident Shareholders

6.1.1 Resident Individual Investors

The calculation of an individual's assessable income will depend on whether the dividend from The Company is franked.

An individual receiving a dividend that is unfranked will include the amount of the dividend in the individual's assessable income, with tax being paid at the individual's marginal rate of tax.

If the dividend is fully or partly franked, the individual's assessable income is grossed up to include the franking credit attaching to the dividend. The individual should be entitled to a tax offset equal to the amount of the franking credit included in the individual's assessable income.

Where an individual's marginal rate of tax is greater than the company tax rate such that the individual's gross tax payable on the dividend exceeds the available franking offset, then further tax will be payable on the grossed up dividend.

Where the individual's marginal rate of tax is less than the company tax rate such that the individual's gross tax payable on the dividend is less than the available franking offset, a refundable tax offset is available to reduce tax payable on other income or alternatively results in a refund of the excess franking credits.

Depending on the personal circumstances of the individual, additional Medicare Levy might be payable as result of receiving the dividends.

6.1.2 Company Investors

The taxation treatment of a company investor is similar to the taxation treatment of individuals in respect of dividends received on their shares.

A company investor receiving an unfranked dividend will include this dividend in its assessable income and will ordinarily pay tax on its net assessable income at the applicable company tax rate of 30%.

Company investors carrying on a business with annual aggregated turnover of less than \$50 million for the 2020 financial year, and which are not subject to passive investor tests, are treated as 'Base Rate Entities' ('BRE') and are subject to the BRE corporate tax rate of 27.5%. The tax rate will eventually decrease to 25% by the 2022 financial year.

Where dividends are franked, the company investor will include in assessable income the amount of dividend received and a "gross up" amount of any franking credits attached to that dividend. The applicable company tax rate is then applied to the grossed up dividend.

A non-refundable tax offset will arise for the company investor equivalent to the franking credit. Provided the dividend is fully franked and the company investor has a tax rate equal to or less than The Company's 'corporate tax rate for imputation purposes', no further tax should be payable on the dividend.

Company investors will include in their franking account the franking credit attached to the dividend received.

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Company investors that have tax losses and receive franked dividends can convert any excess franking offsets to current year losses. Excess franking offsets are generally not refundable to a company.

In limited circumstances, certain corporate entities (for example, exempt institutions and life insurance companies), may be entitled to receive a refund of the franking credit if they satisfy Division 67 of the ITAA 1997. These entities should seek separate tax advice in respect of their particular circumstances.

In all other cases, a company investor cannot receive a refund of excess franking credits.

6.1.3 Trustee Investors

The taxation treatment of an investor who holds shares as trustee for example either under a discretionary trust or under a fixed or unit trust on behalf of other beneficiaries will be subject to specific trust taxation rules and dividend and capital gains streaming rules in respect of their shares.

Ultimately, so long as appropriate taxation compliance steps are undertaken, and so long as the trust has sufficient income to distribute to its presently entitled beneficiaries, franked or unfranked dividends derived by a trust in respect of the shares in The Company will generally "flow through" to the trust's beneficiaries and will be taxed to those presently entitled beneficiaries in accordance with the tax laws as they apply to those beneficiaries.

Trustees who seek to invest in The Company should seek their own separate tax advice in respect of such investments.

6.1.4 Complying Superannuation Funds

Complying Superannuation Funds are assessable on the dividend and gross up the franked dividend in the same way as individuals and companies.

The rate of tax payable by complying superannuation entities is 15% on the grossed up amount. The franking credit is available to offset tax payable on other income of the complying superannuation entity or alternatively results in a refund of the excess franking credits.

6.2 Dividends Received by Non-Australian Resident Shareholders

Where fully franked dividends are paid to foreign shareholders no dividend withholding tax ('WHT') should be imposed on the fully franked dividends paid.

To the extent unfranked franked dividends are paid to foreign shareholders it may necessary for The Company to remit dividend WHT to the Australian Taxation Office ('ATO'). Where unfranked dividends are paid to foreign shareholders, and the unfranked dividend is not 'Conduit Foreign Income' ('CFC') of The Company, dividend WHT must be deducted from the gross dividends paid.

If a foreign shareholder is a resident of a country that does not have a Double Tax Agreement ('DTA') with Australia then a 30% WHT rate will be applied to dividends paid to the non-resident shareholder by The Company. If the shareholder is a resident of a country that does have a DTA with Australia then the applicable DTA will determine the maximum amount of WHT that can be imposed. DTA dividend WHT rates generally range from 0% to 15%.

6.3 Anti Avoidance Measures

Numerous anti avoidance measures are contained in taxation legislation to target dividend streaming and franking credit trading.

Depending on the availability of franking credits generated by The Company, dividends paid on the new shares will be franked equally across all ordinary shares.

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Providing the securities are held “at risk” for a period of 45 days, it is not considered that any of the anti-avoidance measures will have application to the dividends paid on the ordinary shares.

7 Taxation Treatment of Disposal of Equity Interests

7.1 Disposal of equity instruments by Australian Resident Shareholders

The ordinary shares will be listed on the Australian Stock Exchange (‘ASX’) and can be sold separately.

Disposal of the ordinary shares by Australian tax resident individuals will generally constitute a CGT event (in the absence of any available CGT rollover, which is outside the scope of this report).

A capital gain will arise where the disposal proceeds are greater than the cost of acquisition of the shares.

Where the new shares acquired in the initial capital raising are retained for more than twelve months, individuals and complying superannuation funds might be entitled to a discount of the capital gain of 50% for individuals and 33 1/3% for complying superannuation funds when the shares are disposed.

Company taxpayers will receive no discount and will pay tax at the applicable company tax rate on any net capital gain.

Trustee shareholders will typically distribute any capital gains to presently entitled beneficiaries who will include the gains in their assessable income and be taxed according to that beneficiary’s own tax circumstances. In certain circumstances, a trustee who fails to distribute capital gains will be taxed on such gains at the applicable trustee tax rates. Trustees who seek to invest in The Company should seek their own separate tax advice in respect of such investments.

7.2 Disposal of equity instruments by Non-Australian Resident Shareholders

Foreign residents are only subject to CGT on the disposal of taxable Australian property. For tax purposes, shares will generally only be considered taxable Australian property where the following conditions are satisfied:

- The investor owns an interest of 10% or more in The Company; and
- More than 50% of the value of The Company relates to assets that are taxable Australian real property such as land and buildings or interests in land and buildings. For example, leasehold rights over land situated in Australia are considered to be taxable Australian real property.

Based on information contained in the Prospectus regarding the planned operation business, The Company shares are unlikely to be considered taxable Australian property. Accordingly, foreign residents that dispose of their shares are unlikely to be subject to CGT on any gains made in Australia.

However, the circumstances of The Company will need to be reviewed by investors as at the time they dispose of some or all shares to determine whether shares in The Company would be considered taxable Australian property for Australian CGT purposes.

8 Quotation of Tax File Number

The Company cannot insist that investors in ordinary shares provide their Tax File Number (‘TFN’) or Australian Business Number (‘ABN’). However, if investors choose not to provide their TFN or ABN, The Company is required by tax legislation to withhold an amount equal to the maximum marginal tax rate plus the Medicare levy from the unfranked part of any dividend.

10. TAXATION REPORT

9 Goods & Services Tax ('GST')

The GST implications for investors are dependent on the specific GST position of the investor. However, the acquisition, holding and disposal of shares in Australia are input taxed supplies for GST purposes. Therefore there should be no GST impacts for an investor not registered or required to be registered for GST as there is no GST on the acquisition or disposal of shares.

Please contact the undersigned if you wish to discuss any of the above matters further.

Yours sincerely
Grant Thornton Australia Limited



Tom Paltridge
Partner - Tax
email: tom.paltridge@au.gt.com



11. MATERIAL CONTRACTS

11. MATERIAL CONTRACTS

The Directors believe that certain agreements are material contracts such that investors will want to have particulars of them when making an assessment to apply for Shares. Set out below is a brief summary of the material contracts which have been entered into by the Company or any of its subsidiaries, which may be relevant and of interest to a potential investor.

11.1 INDEMNITY, INSURANCE AND ACCESS DEED

Each of the Directors has entered into Deeds of Indemnity, Insurance and Access. The material terms of the Deeds of Indemnity, Insurance and Access are as follows:

- to the extent permitted by law, the Company indemnifies the Director from any liabilities arising out of the Director discharging their duties and providing services as director;
- the Directors will be given access to board papers and company files for a period up to seven (7) years from the date in which the Directors cease to be an officer of the Company; and
- the Company must maintain an insurance policy for the Directors for the term in which they hold office and for a period of seven (7) years following the date they cease to be a Director.

11.2 STATE-OWNED LAND USE RIGHT GRANT CONTRACT

AETWX entered into a State-owned Land Use Right Grant Contract with Wuxi Municipal Bureau of Land and Resources (**WBLR**) on 31 January 2019. The contract has standard terms and conditions of a contract of this nature in China.

Pursuant to the contract, AETWX has been granted a land use right for a land area of 26,756.3 m² located in Wuxi for a total fee of RMB9,270,000 (approximately \$1,976,925). The land use right is granted under this contract for industrial purposes. The term of the contract is fifty years commencing from the date of the contract. AETWX will commence the construction no later than 31 October 2019 and complete the construction no later than 31 October 2021.

WBLR is not expected to rescind the land use right granted to AETWX during the term of the contract. Nonetheless, under circumstances where WBLR decides to rescind the land use right before the expiration of the term for public interest reasons, WBLR must secure approval in accordance with legal process. If the land use right is rescinded, AETMX will be compensated based on the balance of the term, the status of the development or utilisation of the land, etc.

If AETWX desires to continue its use of the land on expiration of the term, it must submit a renewal application to WBLR with at least one year prior to expiration of the term. Unless the land needs to be taken back for public interests, WBLR must approve the renewal application. If WBLR agrees to such renewal, AETWX must complete relevant procedures, enter into a contract with WBLR for the grant of land use right and pay the land grant premium. If AETWX does not apply for renewal or AETWX applies for the renewal but the application is not approved, AETWX must return the land use right to WBLR or land administration authorities with competent jurisdiction and complete the registration for cancellation of land use right.

Refer to section 9.3 for more information on land use rights in the PRC.

11. MATERIAL CONTRACTS

11.3 CONSTRUCTION CONTRACT FOR NEW MANUFACTURING FACILITY

AETWX has entered into a construction contract with Jiangsu Fu Yuan Guang Construction Development Co.,Ltd (Construction Project Contractor) on 6 September 2019. The contractor was selected through a public bidding process overseen by Aobo's Non-Executive Director, Andrew Smith. The contract has standard terms and conditions of a contract of this nature stipulated by the Ministry of Housing and Urban-Rural Development and State Administration for Industry and Commerce of the PRC. The construction scope comprises of groundwork, two workshop buildings, office building, pump room, guard room, road, rainwater and sewage pipelines and utility supplies etc. The total constructed floor area is 20,585.7 square meters of which Workshop One is a single-floor building with constructed height of 12.1 meters and a total floor area 8,609.8 square meters, and Workshop Two is a three-floor building with a constructed height 20.2 meters and a total floor area 8,869.5 square meters. The office is a four-floor building with a constructed height 16.2 meters and a total floor area 3,056.4 square meters. Construction is scheduled to commence on 10 October 2019 and to complete on 10 August 2020 for a fixed price of RMB32.5 million (approximately \$6.9 million) including all taxes and expenses.

11.4 POWERARK AGREEMENT

Aobo New Energy Pty Ltd entered into a Strategic Cooperation Framework Agreement with Powerark Solar Pty Ltd on 18 April 2019 (Powerark Agreement) in relation to distributing Aobo's energy storage system in Australia and provides related services including warehousing and after-sales. The Powerark Agreement is valid for a year. The parties may negotiate renewal of the agreement three months before expiration.

11.5 RAYSTECH AGREEMENT

Aobo New Energy Pty Ltd entered into a Strategic Cooperation Framework Agreement with Raystech Qld Pty Ltd on 21 November 2019 (Raystech Agreement) in relation to distributing Aobo's energy storage system in Australia and providing related services including warehousing and after-sales. The Raystech Agreement is valid for a year. The parties may negotiate renewal of the agreement three months before expiration.

11.6 SEAROSE AGREEMENT

Aobo Environmental New Energy (Wuxi) Co.,Ltd entered into a Sales Agency Agreement with SeaRose Group Pty Ltd on 19 June 2019 (SeaRose Agreement) in relation to acting as a sales agent for Aobo to distribute the Company's air treatment products in Australia. The SeaRose Agreement is valid for a year. The parties may negotiate the renewal of the contract one month before expiration.

11.7 CUSTOMER A'S AGREEMENT

ANE and AENWX (as suppliers) entered into a term sheet with Customer A (as purchaser) in April 2019 in relation to manufacturing and supplying All-In-One Battery Energy Storage Systems. Customer A is an Australian entity within a solar service group specialising in solar battery solutions and solar system maintenance in Australia. The identity of Customer A cannot be disclosed in this Prospectus due a confidentiality agreement between the Company and Customer A.



12. ADDITIONAL INFORMATION

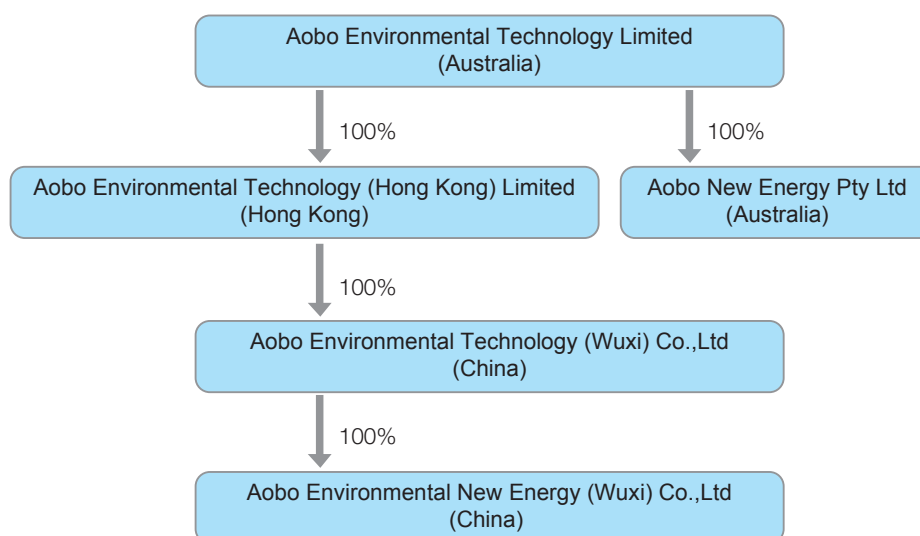
12. ADDITIONAL INFORMATION

12.1 REGISTRATION

The Company was incorporated in Victoria as a public company limited by shares on 29 April 2019. The Company (on a standalone basis) is and will be subject to tax at the Australian corporate tax rate. Its subsidiaries will be subject to tax in the jurisdictions in which they operate. The Company's financial year ends on 31 December annually.

12.2 CORPORATE STRUCTURE

The following diagram represents the corporate structure of Aobo as at the date of this Prospectus



On 19 November 2019, Aobo Environmental Technology Limited acquired 100% of the share capital of AETHK, and became the ultimate holding company of the Aobo Group.

Aobo New Energy Pty Ltd is a company incorporated in Victoria Australia and carries on the business of distributing Aobo's products in Australia. On 15 November 2019, Aobo Environmental Technology Limited acquired 100% of the share capital of ANE from Zhang Jiangang and became the parent company of ANE.

Aobo Environmental Technology (Hong Kong) Limited is an intermediate holding company incorporated in Hong Kong and holds 100% of capital in Aobo Environmental Technology (Wuxi) Limited.

Aobo Environmental Technology (Wuxi) Limited, is a wholly owned foreign enterprise (WOFE) in China. AETWX does not carry on any business operation other than owning the land use right and the new manufacturing facility under construction.

Aobo Environmental New Energy (Wuxi) Co.,Ltd, a company incorporated in 1999 in the PRC, is the main operating company in Aobo Group and carry on designing, manufacturing and selling air treatment and energy storage products.

12.3 AOBO'S CONSTITUTION AND THE RIGHTS ATTACHING TO THE SHARES

(a) General

As at the date of issue and allotment of Shares under the Offer made pursuant to this Prospectus, there will only be one class of share on issue in the Company being fully paid ordinary shares. The rights attaching to the Shares are:

12. ADDITIONAL INFORMATION

- set out in the Constitution of the Company; and
- in certain circumstances, regulated by the Corporations Act, the NSX Listing Rules, the ASIC Market Integrity Rules, the ASX Clear Operating Rules, the ASX Settlement Operating Rules and the general law.

Copies of the Constitution are available for inspection during business hours at the Company's registered address while the Prospectus is current.

Set out below is a broad summary (though not necessarily an exhaustive or definitive statement) of the rights, privileges and restrictions attaching to the Shares as set out in the Constitution. The Constitution is consistent with the Listing Rules and is subject to the Listing Rules in all respects while the Company maintains its listing on the NSX.

All Shares issued pursuant to this Prospectus will from the time they are issued, rank *pari passu* with all the Company's existing Shares.

(b) Voting rights

Subject to any special rights or restrictions for the time being attached to any class or classes of shares (at present there are none), at general meetings of Shareholders, each Shareholder entitled to vote may vote in person or proxy, attorney or representative unless a poll is demanded by:

- the Chairman;
- not less than five Shareholders having the right to vote at the meeting; or
- a Shareholder or Shareholders present who are together entitled to not less than 5% of the total voting rights of all the Shareholders having the right to vote on the resolution at the meeting.

Every Shareholder present in person or by proxy, attorney or representative will have one vote on a show of hands. On a poll every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder will, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have, one vote for each Share held.

(c) Dividend rights

Subject to the rights persons (if any) holding of shares issued with special rights to a dividend (at present there are none), the Directors may declare a final dividend out of the profits of the Company in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the Shareholders of such dividend. All dividends are to be apportioned and paid proportionately to the amounts paid or credited as paid on the Shares during any portion or portions of the period in respect of which the dividend is paid. Interest may not be paid by the Company in respect of any dividend.

(d) Winding up

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among the Shareholders in kind the whole or any part of the property of the Company and may for that purpose set such value as the liquidator considers fair on any property to be so divided and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

12. ADDITIONAL INFORMATION

(e) Transfer of Shares

A Shareholder may transfer Shares by a proper market transfer in accordance with any computerised or electronic system established or recognised by the Listing Rules or the Corporations Act for the purpose of facilitating dealings in shares or by an instrument in writing in a form approved by NSX or in any other usual form or in any form approved by the Directors. The Directors may decline to register a transfer of Shares, other than a proper market transfer.

(f) New Share issue

Subject to the Constitution, the Corporations Act, any other laws and the Listing Rules, the Directors may issue, allot or otherwise dispose of Shares to such person at such times at such price and on such terms and conditions and having attached to them such preferred, deferred or other special rights or such restrictions, whether with regard to dividend, voting, return of capital or otherwise and whether as preference shares as the Board from time to time determines.

(g) General Meetings

Each Shareholder is entitled to receive notice of and to attend general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution of the Company, the Corporations Act or the Listing Rules. Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution.

(h) Alteration to the Constitution

The Constitution can only be amended by special resolution passed by at least three quarters of Shareholders present and voting at a general meeting. At least 28 days written notice, specifying the intention to propose the resolution as a special resolution, must be given.

(i) Variation of rights

Subject to the Corporations Act, the rights attaching to any class of shares on issue in the Company may only be varied or abrogated in any way if the holders of 75% of the shares of that class on issue in the capital of the Company consent to the variation in writing, or by special resolution passed at a separate meeting of the holders of shares of that class unless their terms of issue say otherwise.

(j) Directors

There must be a minimum number of three Directors, at least two Directors must ordinarily reside in Australia. The Constitution and the Corporations Act contain provisions relating to the rotation and election of Directors.

12.4 RELATED PARTY TRANSACTIONS

Related party transactions (that is, transactions between a public company and a director, an entity controlled by a director, or a parent company of the public company) are regulated in Australia under the Corporations Act by a requirement for disinterested shareholder approval, unless the transaction is on “arm’s length terms”, represents no more than reasonable remuneration, or complies with other limited exemptions.

a) Nominated Adviser Agreement

The Company entered into a nominated adviser agreement with Connell Lawyers (ACN 242 329 382) on 17 February 2020 for Connell Lawyers acting as a nominated advisor to the Company for

12. ADDITIONAL INFORMATION

admission to the NSX. The Company's Director Brendan Connell is the principal of Connell Lawyers. The Company shall not pay Connell Lawyers an annual retainer whilst Brendan Connell is retained as a Director. The Company agrees to pay an annual retainer of \$12,000 per annum (plus GST and expenses) if Brendan Connell is not retained as a Director for any reason. The initial term is 12 months from the date of admission.

b) ANE Agreement

The Company entered into a Share Sale Deed with Zhang Jiangang on 15 November 2019 for the purpose of corporate restructuring for listing. Zhang Jiangang was the sole shareholder of Aobo New Energy Pty Ltd (ACN 622 085 009) (ANE) and holds 100 shares in ANE. Zhang Jiangang sold his entire shareholdings in ANE to the Company for a consideration of \$1.

c) Corporate Advisory Agreement

The Company entered into an agreement with IDC Capital Pty Ltd (IDC) on 18 July 2019 appointing IDC as the corporate advisor for the proposed listing of the Company on NSX. The Company's secretary Ting Jiang is a director of IDC. The scope of service provided under this agreement includes advising the Company on the appropriate strategy and structure for listing, advising on the content and structure of the disclosure document, liaising with other professional advisers, assisting the Company with due diligence, coordinating the listing process, liaising with NSX on behalf of the Company, and any other assistance as may be required and agreed. Please see section 5.2.2 for details of the fees payable pursuant to this agreement.

d) Personal Guarantee Agreement

Zhang Jiangang and his wife Mu Xianhong entered into personal guarantee agreements with banks in China for bank loans taken by the Company's subsidiary AENWX. Please see section 12.6 for details of the loans.

12.5 POLICY FOR APPROVAL OF RELATED PARTY TRANSACTIONS

The Company's Audit and Risk Management Committee is responsible for reviewing and approving all transactions in which the Company is a participant and in which any parties related to the Company, including its executive officers, Directors, beneficial owners of more than 5% of the Company's Shares, immediate family members of the foregoing persons and any other persons whom the Board determines may be considered related parties of the Company, has or will have a direct or indirect material interest.

The Audit and Risk Management Committee or its chairman, as the case may be, will only approve those related party transactions that are determined to be in, or are not inconsistent with, the best interests of the Company and its Shareholders, after taking into account all available facts and circumstances as the Audit and Risk Management Committee or its chairman determines in good faith to be necessary. Transactions with related parties will also be subject to Shareholder approval to the extent required by the Listing Rules.

12. ADDITIONAL INFORMATION

12.6 EXISTING BANKING FACILITIES

AENWX is a party to the following existing banking facilities:

Lender	Loan type	Amount of loan (RMB)	Term of loan	Interest rate	Security
Agricultural Bank of China, Wuxi Huishan Branch	Current loan	3,000,000	28 October 2019 to 27 October 2020	5.2%	Joint personal liability guarantee provided by Zhang Jiangang & Mu Xianhong
Ningbo Bank, Wuxi Huishan Branch	Current loan	5,000,000	14 January 2020 to 14 January 2021	4.785%	Joint personal liability guarantee provided by Zhang Jiangang & Mu Xianhong
Jiangsu Bank, Wuxi Helie Branch	Current loan	15,000,000	19 April 2019 to 18 April 2020	5.22%	1 Joint liability guarantee provided by Zhang Jiangang & Mu Xianhong 2 Mortgage over land owned by the Company
Jiangsu Bank, Wuxi Helie Branch	Current loan	5,000,000	7 August 2019 to 6 August 2020	5.22%	1 Joint liability guarantee provided by Zhang Jiangang & Mu Xianhong 2 Mortgage over land owned by the Company
China CITIC bank, Wuxi Branch	Current loan	5,000,000	29 March 2019 to 28 March 2020	4.785%	Joint liability guarantee provided by Zhang Jiangang & Mu Xianhong and AETWX

Note:

- 1 As at the date of this Prospectus, the Company intends to roll over all above-mentioned loans when they mature. Please refer to section 9.2 for debt financing risk.

12.7 CONTINUOUS DISCLOSURE

The Company will be a “disclosing entity” for the purposes of Part 1.2A of the Corporations Act. As such, it will be subject to regular reporting and disclosure obligations which will require it to disclose to NSX any information which it is or becomes aware of concerning the Company and which a reasonable person would expect to have a material effect on the price or value of the securities of the Company.

12. ADDITIONAL INFORMATION

12.8 CONSENTS

The following parties have given their written consent to be named in this Prospectus and for the inclusion of statements made by those parties (as described below in the form and context in which they are included) in both paper and electronic form, and have not withdrawn such consent before lodgement of this Prospectus with ASIC.

Each of the parties referred to in this section:

- does not make, or purport to make, any statement in this Prospectus, or on which a statement made in this Prospectus is based other than as specified in this section;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section; and
- has not caused or authorised the issue of this Prospectus.

Bentleys Audit & Corporate (WA) Pty Ltd has given its written consent to the inclusion in this Prospectus of the Investigating Accountant's Report in Section 8 in the form and context in which it appears.

Grant Thornton Australia Limited has given its written consent to the inclusion in this Prospectus of the Taxation Report in Section 10 in the form and context in which it appears.

Thomson Geer Lawyers has given its written consent to be named as Australian legal advisor to the Offer under this Prospectus, in the form and context in which it is named.

GrandAll Law Firm (Qingdao) has given its written consent to be named as Chinese legal advisor to the Offer under this Prospectus, in the form and context in which it is named.

Registry Direct Limited has given its written consent to be named as the Share Registry under this Prospectus, in the form and context in which it is named.

Grant Thornton Audit Pty Ltd has given its written consent to be named as Auditor to the Company under this Prospectus, in the form and context in which it is named.

IDC Capital Pty Ltd has given its written consent to be named as Corporate Advisor to the Company under this Prospectus, in the form and context in which it is named.

Connell Lawyers has given its written consent to be named as Nominated Advisor to the Company under this Prospectus, in the form and context in which it is named.

There are a number of persons referred to elsewhere in this Prospectus who are not experts and who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in this Prospectus and did not authorise or cause the issue of this Prospectus.

12. ADDITIONAL INFORMATION

12.9 COSTS OF THE OFFER

The costs of the Offer are as follows:

Expenses	Minimum Subscription	Maximum Subscription
ASIC fee	3,206	3,206
NSX initial listing fee	85,270	88,055
Adviser fees (accounting, legal and other)	217,091	217,091
Design, printing and travel	10,000	20,000
Total	315,567	328,352

12.10 LITIGATION

The Directors are not aware of any legal proceedings which have been threatened or commenced against the Company and any of its subsidiaries.

12.11 ELECTRONIC PROSPECTUS

Electronic Prospectus can be downloaded from the Company's website www.aoboet.com.au

The Offer pursuant to this Prospectus in electronic form is only available to persons receiving this Prospectus in Australia. Potential investors should download and read the entire Prospectus before considering applying for the Shares.

12.12 STATEMENT OF DIRECTORS

Each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

The Directors have made reasonable enquiries and declare that none of the statements made in this Prospectus by the Directors are misleading or deceptive. The Directors have reasonable grounds to believe that any statement made by any party other than the Directors is not misleading or deceptive and such party was competent to make such a statement.

This Prospectus is issued by the authority of the Board of the Company.

Dated: 25 February 2020



Andrew Smith

Chairman

Aobo Environmental Technology Limited

13. GLOSSARY

In this Prospectus, unless the context otherwise requires:

\$ or A\$	means Australian dollars unless otherwise stated.
AEST	means Australian Eastern Standard Time.
AENWX	means Aobo Environmental New Energy (Wuxi) Co.,Ltd
AETWX	means Aobo Environmental Technology (Wuxi) Co.,Ltd.
AETHK	means Aobo Environmental Technology (Hong Kong) Co.,Ltd
ANE	means Aobo New Energy Pty Ltd ACN 622 085 009
Applicant	means a person who makes an application for Shares.
Application	means an application for Shares under this Prospectus made by an Applicant under an Application Form.
Application Form	means the form accompanying or attached to this Prospectus by which an Applicant may apply for Shares.
Application Monies	means the number of Shares applied for multiplied by the Offer Price.
ASIC	means the Australian Securities and Investments Commission.
ASX Corporate Governance Principles	means the ASX Corporate Governance Principles and Recommendations, 3rd Edition (2014) as issued by the NSX Corporate Governance Council.
ASX Settlement	means ASX Settlement Pty Ltd ACN 008 504 532.
Board of Directors or Board	means the board of directors of the Company.
Business Day	means a day that is not a Saturday or Sunday or a public holiday in Victoria.
CHESS	means ASX Clearing House Electronic Subregistry System.
Closing Date	means the date on which the Offer closes.
CAGR	means compound average growth rate
Company or Aobo	means Aobo Environmental Technology Limited ACN 633 117 807.
Constitution	means the constitution of the Company.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Directors	mean the directors of the Company from time to time.
Aobo Group or Group	means the consolidated group comprising the Company and its controlled entities including ANE, AETHK, AETWX and AENWX.
EBIT	means Earnings before Interest and Tax.
EBITDA	means Earnings before Interest, Tax, Depreciation and Amortisation.
Existing Shareholders	means the Shareholders as at the date of this Prospectus.
Existing Shares	means Shares on issue as at the date of this Prospectus
Exposure Period	means the period of 7 days after the date of lodgement of a prospectus, which may be extended by ASIC by not more than 7 days pursuant to section 727(3) of the Corporations Act.
GST	has the meaning given to it in <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).

13. GLOSSARY

HIN	means the holder identification number (for CHESS).
HKD	means the means the legal currency of Hong Kong SAR.
Issue	means the issue of Shares pursuant to this Prospectus.
Issuer Sponsored	means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.
Maximum Subscription	means the maximum amount to be raised under this Prospectus, being \$5,000,000.
Minimum Subscription	means the minimum amount to be raised under this Prospectus, being \$800,000.
NPAT	means net profit after taxation.
NPBT	means net profit before taxation.
NSX	means the NSX Limited ACN 008 624 691 or the National Stock Exchange (as the context requires).
NSX Listing Rules or Listing Rules	means the official listing rules of the NSX.
Offer	means the invitation to apply for Shares pursuant to this Prospectus.
Offer Period	means the period commencing on the Opening Date and ending on the Closing Date.
Offer Price	means \$0.25 per Share.
Official List	means the Official List of the NSX.
Opening Date	means opening date for the Offer under this Prospectus.
PRC or China	means the People's Republic of China, excluding Taiwan, Hong Kong SAR and Macau PRC for the purpose of this Prospectus.
Prospectus	means this prospectus and includes the electronic prospectus.
Quotation	means quotation of the Shares on the Official List.
R&D	means research and development.
RMB or Renminbi or Yuan	means the legal currency of PRC.
SAFE	means the PRC State Administration of Foreign Exchange.
Section	means a section in this Prospectus.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholders	mean the holder of Shares.
Share Registry	means Registry Direct Limited ACN 160 181 840.
SRN	means Shareholder Reference Number.
Subsidiaries	means the same as that term is defined under sections 9 and 46 of the Corporations Act.
The New Tax Law	means the Chinese Income Tax Law which came into effect on 1 January 2008.

Guide to the Application Form

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THE APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

Instructions

1. If applying for Securities insert the number of Shares for which you wish to subscribe at Item A (not less than 8,000 shares and then in multiples of 2,000 shares).
2. Multiply by \$0.25 AUD to calculate the total for Shares and enter the \$ amount.
3. Write your full name. Initials are not acceptable for first names.
4. Enter your postal address for postal correspondence. All postal correspondence to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
5. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN. NB: your registration details provided must match your CHESS account exactly.
6. Enter your Australian tax file number ("TFN") or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN/ ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.
7. Complete payment details as requested. Applicants may lodge their Application Form and pay their Application Monies to their broker in accordance with the relevant broker's directions. Please contact your broker for further instructions.
8. Enter your telephone number so we may contact you regarding your Application Form or Application Monies.
9. Enter your email address. This field is not compulsory. If you provide an email address, you declare that you wish to have corporate communications emailed rather than posted.

Correct Forms of Registrable Title

Note that ONLY legal entities can hold the Securities. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person.

Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABR P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

Lodgement

Mail your completed Application Form to the following address **by no later than 5:00pm AEST on 16 April 2020** (date subject to change):

Mailing address:

Registry Direct Limited
PO Box 18366
Collins Street East VIC 8003

Delivery address:

Registry Direct
Level 6, 2 Russell Street
Melbourne VIC 3000

It is not necessary to sign or otherwise execute the Application Form.

If you have any questions regarding the Application Form, please contact Registry Direct on 1300 55 66 35 or email registry@registrydirect.com.au.

Fill out this Application Form if you wish to apply for Securities on the terms set out in the prospectus dated 25 February 2020 (**Prospectus**) issued by Aobo Environmental Technology Limited ACN 633 117 807 (**Company**). This Application Form and your Application Amount must be received by **5.00pm (AEST Time) on 16 April 2020** (unless the Offer is closed earlier at the Company's discretion). This Application Form must not be distributed to another person unless accompanied by the Prospectus. The Prospectus will expire 13 months after the date of the Original Prospectus. Upon request, the Share Registry will send you a free paper copy of the Prospectus before the Prospectus expires. By submitting this Application Form, you declare that this Application is completed and lodged according to the Prospectus, you were given access to the Prospectus together with the Application Form and that all details and statements made by you are complete and accurate. You also agree to be bound by the constitution of Aobo Environmental Technology Limited and you represent and warrant to the Company that your application for Securities will not cause the Company to violate the laws of Australia or any other jurisdiction.

To apply online with

BPAY go to:

www.registrydirect.com.au/offering/aobo

Broker Reference - Stamp Only

Broker Code

Adviser Code

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1 Number of Shares you are applying for:

x \$0.25 per
share =

2 Total amount payable

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3 Write the name(s) you wish to register the Securities in (see reverse for instructions)

Applicant 1

[illegible]

Name of Applicant 2 or <Account Designation>

[illegible]

Name of Applicant 3 or <Account Designation>

[illegible]

4 Write your postal address here

Number/Street

[illegible]

Suburb/Town

[illegible]

State

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Postcode

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Please complete information on the next page →

5 CHESS participant - Holder Identification Number (HIN)

X										
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Important please note: if the name & address details above in sections 3 & 4 do not match exactly with your registration details held at CHESS, any Shares issued as a result of your application will be held on the Issuer Sponsored subregister.

6 Enter your tax file number(s), ABN, or exemption category

Applicant 1

--	--	--	--	--	--	--	--	--	--	--

Applicant 2

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Applicant 3

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7 Payment details:

BY CHEQUE: Please make your cheque payable to Registry Direct Pty Limited – Aobo Environmental Technology.

Drawer	Cheque No.	BSB No.	Account Number	Amount of Payment

8 Contact telephone number (mobile)

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9 Email address (not compulsory)

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By providing your email address, you declare you wish to receive corporate communications via email.

Privacy Statement:

The Share Registry's Privacy Policy (**Privacy Policy**) also sets out important information relating to the collection, use and disclosure of all personal information that you provide to the Share Registry. Please ensure that you and all relevant individuals have read the Privacy Policy carefully before submitting the Application Form. The Privacy Policy can be found on the website <https://www.registrydirect.com.au/privacy-policy/>.

Registry Direct Limited advises that Chapter 2C of the Corporations Act 2001 (Cth) requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting Registry Direct at the address or telephone number shown on the Application Form.

CORPORATE DIRECTORY

Directors

Andrew Smith (Non-Executive Chairman)

Zhang Jiangang (Executive Director and Chief Executive Officer)

Hon. Andrew Thomson (Non-Executive Director)

Brendan Connell (Non-Executive Director)

Company Secretary

Ting Jiang

Registered Office

Suite 511, 434 St Kilda Road
Melbourne VIC 3004

Corporate Advisor

IDC Capital Pty Ltd
Level 27, 101 Collins Street
Melbourne VIC 3000

Nominated Advisor

Connell Lawyers
55 Birksgate Drive
Urrbrae SA 5064 Australia

Website

www.aoboet.com.au

Australian Legal Advisor

Thomson Geer
Level 25, 1 O'Connell Street
Sydney NSW 2000

From 23 March 2020

Address change to
Level 14, 60 Martin Place, Sydney NSW 2000

PRC Legal Advisor

GrandAll Law Firm (Qingdao)
13F, Office Tower of Shangri-La Center
9 Xianggang Middle Road, Qingdao, PRC

Auditor

Grant Thornton Audit Pty Ltd
Grant Thornton House
Level 3, 170 Frome Street
Adelaide SA 5000

Investigating Accountant

Bentleys Audit & Corporate (WA) Pty Ltd
London House
Level 3, 216 St Georges Terrace
Perth WA 6000

Share Registry

Registry Direct Limited
Level 6, 2 Russell Street
Melbourne VIC 3000

Tax Advisor/Author of Tax Report

Grant Thornton Australia Limited
Grant Thornton House
Level 3, 170 Frome Street
Adelaide SA 5000

