

Aobo Environmental New Energy (Wuxi) Co., Ltd 奥波环境新能源(无锡)有限公司

*(Formerly known as Wuxi Aobo Purifying and Dehumidifying Air Conditioner Co., Ltd
无锡奥波净化除湿空调有限公司)
(A company incorporated in the People's Republic of China)*

FINANCIAL STATEMENTS

For the year ended 31 December 2016



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Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Sales revenue	3	36,237	33,402
Cost of sales		(23,015)	(21,984)
Gross profit		13,222	11,418
Other income	3	18	23
Sales and marketing expenses	4	(2,795)	(2,405)
Research and development expenses		(2,749)	(2,266)
Administrative expenses	4	(2,490)	(2,861)
Other expenses		(157)	(176)
Finance costs	5	(4)	5
Profit before income tax		5,045	3,738
Income tax expense	6	(569)	(477)
Profit for the year^(*)		4,476	3,261

^(*) Earnings per share information has not been included because the Company does not have ordinary shares or similar instruments on issue at reporting date.

These financial statements should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Current assets			
Cash and cash equivalents	8	2,315	3,789
Trade and other receivables	9	22,841	19,180
Inventories	10	11,983	8,833
Other current assets		1,782	1,122
Total current assets		38,921	32,924
Non-current assets			
Property, plant and equipment	11	820	966
Deferred tax assets	13	41	26
Total non-current assets		861	992
Total assets		39,782	33,916
Current liabilities			
Trade and other payables	12	27,169	26,118
Current tax liabilities	13	978	639
Total current liabilities		28,147	26,757
Total liabilities		28,147	26,757
Net assets		11,635	7,159
Equity			
Contributed capital	14	1,000	1,000
Reserves	16	672	672
Retained earnings		9,963	5,487
Total equity		11,635	7,159

These financial statements should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 31 December 2016

	Contributed Capital RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2015 (<i>unaudited</i>)	1,000	672	2,226	3,898
Profit for the year	-	-	3,261	3,261
Total profit for the year	-	-	3,261	3,261
Balance at 31 December 2015	1,000	672	5,487	7,159
Profit for the year	-	-	4,476	4,476
Total profit for the year	-	-	4,476	4,476
Balance at 31 December 2016	1,000	672	9,963	11,635

These financial statements should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Receipts from customers		31,804	39,009
Payments to suppliers and employees		(31,560)	(36,626)
Interest received		5	5
Finance costs		(4)	(4)
Income tax paid		(247)	(150)
Net cash provided by/(used in) operating activities	18	(2)	2,234
Cash flows from investing activities			
Purchases of property, plant and equipment		(142)	(734)
Net cash (used in) investing activities		(142)	(734)
Cash flows from financing activities			
Repayment of advances (to)/from related parties		(1,330)	-
Net cash (used in) financing activities		(1,330)	-
Net change in cash and cash equivalents held		(1,474)	1,500
Cash and cash equivalents at beginning of financial year		3,789	2,289
Cash and cash equivalents at end of financial year	8	2,315	3,789

These financial statements should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the year ended 31 December 2016

1 Nature of operations, General information and Statement of Compliance

Aobo Environmental New Energy (Wuxi) Co., Ltd 奥波环境新能源(无锡)有限公司 (formerly known as Wuxi Aobo Purifying and Dehumidifying Air Conditioner Co., Ltd 无锡奥波净化除湿空调有限公司) (the “Company”) principal activities include manufacturing and selling of air treatment solutions for industrial applications, including designing, manufacturing and selling of equipment used in humidity and climate control in the People’s Republic of China (PRC).

The Company operates in one operating segment, being the manufacturing and selling of air treatment solutions for industrial applications, including designing, manufacturing and selling of equipment used in humidity and climate control and in one geographical area, being the People’s Republic of China. There were no significant changes in the nature of the Company’s principle activities during the year ended 31 December 2016.

The Financial Statements is a general purpose financial report that has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Aobo Environmental New Energy (Wuxi) Co., Ltd (“the Company”) is a company limited by registered capital contribution made by owners, incorporated and domiciled in the People’s Republic of China.

The financial statements were authorised for issue by the directors on 4th June 2019.

Basis of preparation

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. All amounts are presented in Chinese Yuan (RMB) which is the Company’s functional and presentational currency, unless otherwise noted.

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2 Statement of significant accounting policies

a. Income Tax

The income tax expense for the year comprises current 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 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.

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b. Property, Plant and Equipment

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

Property, plant and equipment are measured at cost less depreciation and impairment losses.

The cost of fixed assets constructed within the Company 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 Company 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 Company 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.

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c. 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 of normal operating capacity. Costs are assigned on the basis of weighted average costs.

d. 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.

e. Financial Instruments

Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately.

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. Financial instruments are classified and measured as set out below.

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Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets at fair value through profit or loss.

Classification and subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's trade and most other receivables fall into this category of financial instruments.

Financial liabilities

The Company's financial liabilities include trade and other payables. Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

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

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the profit or loss.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period and are recognised directly in the financial assets reserve in other comprehensive income.

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f. Impairment of Non-Financial Assets

At each reporting date, the Company 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

g. Employee Benefits

Provision is made for the Company'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 high quality corporate bonds with terms to maturity that match the expected timing of cash flows.

h. 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.

i. Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue from sale of goods is recognised when the Company has transferred significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Government grants and subsidies are recognised upon receipt from the government.

All revenue is stated net of the amount of value added tax (VAT).

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j. 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 statement of financial position are shown inclusive of VAT.

Cash flows are presented in the 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.

k. Segment Reporting

Operating segments are presented on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

l. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

m. Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the 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 Company. Actual results may differ from these estimates.

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

Key estimates — Impairment of non-financial assets

The Company assesses impairment at each reporting date by evaluating conditions and events specific to the Company 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 Company 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.

Notes to the Financial Statements

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n. Accounting standards not yet effective

At the date of the authorisation of the financial statements, a number of new accounting standards and interpretations that have been published that are not mandatory for current reporting period. In the Director's opinion, the following standards on issue but not yet effective are most likely to impact the amounts reported by the Company in future financial periods:

- IFRS 9 *Financial Instruments (2014)* (Application date: 1 January 2018)
- IFRS 15 *Revenue from Contracts with Customers* (Application date: 1 January 2018)
- IFRS 16 *Leases* (Application date: 1 January 2019)

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Company does not expect the new standard to result in any significant change on the classification and measurement of its financial assets and financial liabilities. The Company has undertaken a detailed assessment of the impact of IFRS 9. Based on the Company's assessment, it is expected to have an impact of a decrease of RMB589,000 to the opening retained earnings relating the expected credit loss model when it is first adopted for the year ending 31 December 2018.

IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts and several revenue-related Interpretations. IFRS 15 establishes a comprehensive framework for determining revenue recognition through a 5-step approach:

- (i) Identifying the contract with a customer
- (ii) Identifying the performance obligations
- (iii) Determining the transaction price
- (iv) Allocating the transaction price to the performance obligations
- (v) Recognising revenue when/as performance obligation(s) are satisfied.

The core principle is that an entity should recognise revenue when control of a good or service transfers to a customer. Under IFRS 15, an entity normally recognises revenue when a performance obligation is satisfied. Impact on the revenue recognition may arise when multiple performance obligations are identified. IFRS 15 introduces new guidance on the presentation of contract assets and contract liabilities in the statement of financial position. Upfront unbilled revenues currently included in the statement of financial position as trade receivables will be recorded as contract assets if the receipt of the consideration is conditional upon fulfilment of another performance obligation. Contract liabilities for consideration received in respect of unsatisfied performance obligations will be separately presented in the statement of financial position.

The Company has undertaken a detailed assessment of the impact of IFRS 15. Based on the Company's assessment, it is not expected to have a significant impact to the opening retained earnings when it is first adopted for the year ending 31 December 2018.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company is yet to undertake a detailed assessment of the impact of IFRS 16. The Company has undertaken a preliminary assessment of the impact of IFRS 16. Based on the Company's assessment, on 1 January 2019, it is expected to have an impact of a decrease of RMB101,000 to the opening retained earnings when it is first adopted for the year ending 31 December 2019.

o. Rounding of amounts

Amounts in this report have been rounded off to the nearest thousand Chinese Yuan (RMB), or in certain cases, the nearest Chinese Yuan (RMB).

Notes to the Financial Statements

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3 Revenue and Other Income

	2016 RMB'000	2015 RMB'000
Operating activities		
Sales of Goods	36,237	33,402
Total sales revenue	36,237	33,402
Non-operating activities		
Interest received	5	5
Other income	13	18
Total other income	18	23

4 Expenses

	2016 RMB'000	2015 RMB'000
Administrative expenses		
Employee expenses	1,305	1,415
Travel expenses	500	448
Repairs and maintenance	96	127
Vehicle expenses	71	43
Consultant expenses	339	490
Office expenses	100	102
Other administrative expenses	79	236
Total administrative expenses	2,490	2,861
Sales and marketing expenses		
Employee expenses	1,016	800
Travel expenses	1,153	911
Marketing and promotional	69	56
Rental	60	60
Shipping expenses	474	550
Other sales and marketing expenses	23	28
Total sales and marketing expenses	2,795	2,405
Depreciation and amortisation		
Included in:		
- Cost of sales – manufacturing	216	153
- Research and development	23	26
- Administrative expenses	-	-
Total depreciation and amortisation expenses	239	179
Employee expenses		
Included in:		
- Cost of sales – manufacturing	867	831
- Sales staff – sales and marketing	1,016	800
- Administration staff	1,305	1,415
Total employee benefits	3,188	3,046

Notes to the Financial Statements

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5 Finance Costs

	2016 RMB'000	2015 RMB'000
Finance costs		
Bank charges	4	(4)
Foreign exchange (gains)/losses	-	9
Total finance costs	4	5

6 Income Tax Expense

	2016 RMB'000	2015 RMB'000
The components of tax expense comprise:		
Current tax	586	503
Deferred tax	(17)	(26)
Total income tax expense	569	477
Reconciliation of tax expense		
Profit before income tax	5,045	3,738
Prima facie tax payable on profit before income tax at China tax rate of 25%	1,261	935
Add/(Less):		
High-tech enterprise status incentive (15% tax rate)	(480)	(374)
R&D expense incentive	(204)	(93)
Adjustment for non-deductible expenses	74	58
Other tax effects	(82)	(49)
Income tax attributable to the Company	569	477
The applicable weighted average effective tax rate are as follows:	11%	13%

The Company is subject to the income tax law of People's Republic of China (PRC).

7 Segment Reporting

The Company operates in one segment being the manufacturing and selling of air treatment solutions for industrial applications, including designing, manufacturing and selling of equipment used in humidity and climate control in the People's Republic of China (PRC). This is based on the internal reports that are reviewed and used by the Board of Directors/Management Committee, who are identified as the Chief Operating Decision Makers ('CODM') in assessing performance and determining the allocation of resources. The Company operates predominately in one geographical area where sales revenue is generated and non-current assets are located, being the People's Republic of China. The Company's assets and liabilities are not specifically allocated to operating segments.

The Board has considered the requirements of IFRS8 Operating Segments and the internal reports that are reviewed by the CODM in allocating resources and have concluded at that there are no separately identifiable segments as there is currently no discrete financial information received by the chief operation decision maker.

Notes to the Financial Statements

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8 Cash and Cash Equivalents

	2016 RMB'000	2015 RMB'000
Cash on hand	279	87
Cash at bank	2,036	3,702
Total cash and cash equivalents	2,315	3,789

Cash at bank balances as at 31 December 2016 are Chinese Renminbi denominated balances, which are held with reputable financial institutions in the People's Republic of China in current bank accounts.

The Renminbi is not freely convertible into foreign currencies. Under the People's Republic of China (PRC) Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Company is permitted to exchange Renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business.

The exchange rate of Renminbi is determined by the government of the PRC and the remittance of funds out of the country is subjected to exchange restrictions imposed by the government of the PRC.

9 Trade and Other Receivables

	2016 RMB'000	2015 RMB'000
Current		
Trade receivables	22,872	19,210
Provision for bad debts	(275)	(175)
Other receivables		
- Other receivables	244	145
Total current trade and other receivables	22,841	19,180

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements. The Company does not hold any collateral as security over any receivable balance, nor does it hold any restrictions of title. The Company generally requires its customers to pay in advance. Credit terms may be provided through negotiation with customers. No interest is charged on trade receivables.

The age of trade receivables but not impaired is as follows:

	2016 RMB'000	2015 RMB'000
Within 365 days	11,674	10,015
1 to 2 years	3,120	1,402
2 to 3 years	691	7,618
More than 3 years	7,112	-
Total	22,597	19,035

Trade receivables not impaired within the 2 to 3 year aging bracket have been settled in subsequent periods.

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10 Inventory

	2016 RMB'000	2015 RMB'000
Current		
Raw materials	2,766	2,679
Finished goods	5,045	5,258
Work in progress	4,172	896
Total inventory	11,983	8,833

11 Property, Plant and Equipment

	2016 RMB'000	2015 RMB'000
Machinery and Office Equipment		
At cost	619	575
Accumulated depreciation	(424)	(367)
Total machinery and office equipment	195	208
Motor Vehicles		
At cost	2,384	3,251
Accumulated depreciation	(1,759)	(2,493)
Total motor vehicles	625	758
Total property, plant and equipment	820	966

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

	Machinery and Office Equipment	Motor Vehicles	Total
	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015 <i>(Unaudited)</i>	269	142	411
Additions	-	734	734
Depreciation	(61)	(118)	(179)
Balance at 31 December 2015	208	758	966
Additions	44	98	142
Disposal	-	(49)	(49)
Depreciation	(57)	(182)	(239)
Balance at 31 December 2016	195	625	820

Notes to the Financial Statements

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12 Trade and Other Payables

	2016 RMB'000	2015 RMB'000
Current		
Trade payables	13,595	10,432
Advance from customer	8,856	9,519
VAT and other taxes payable	1,329	1,382
Salary payable	1,037	1,102
Other payables	2,352	3,683
Total trade and other payables	27,169	26,118

All amounts are short-term. The carrying values of trade and other payables are considered to be a reasonable approximation of fair value.

With other payables are amounts payable to shareholder, ZHANG Jian Gang (Chairman) amounting to RMB3.351 million (2015: RMB3.681 million) (Refer to Note 21).

13 Taxation

(a) Current tax liabilities

Amounts represent amounts payable to taxation authorities in the People's Republic of China.

	2016 RMB'000	2015 RMB'000
Current		
Income tax payable	978	639

(b) Deferred tax assets

Deferred taxes arising from temporary differences can be summarised as follows:

	2016 RMB'000	2015 RMB'000
Provision for bad debts	41	26

14 Contributed Capital

	2016 RMB'000	2015 RMB'000
Contributed capital	1,000	1,000

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15 Capital Management

Management controls the capital of the Company in order to maintain a good debt to equity ratio, and ensure that the Company can fund its operations and continue as a going concern. The Company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

	2016 RMB'000	2015 RMB'000
Total liabilities	28,147	26,757
Less: cash and cash equivalents	(2,315)	(3,789)
Net liabilities/(Net cash and cash equivalents)	25,832	22,968
Total equity	11,635	7,159
Net liabilities/(Net cash and cash equivalents) to equity ratio	222%	321%

16 Reserves

	2016 RMB'000	2015 RMB'000
Statutory reserve	672	672

Statutory reserve

Pursuant to the current People's Republic of China Company Law, the Company is required to transfer between 5% to 10% of its profit after taxation to a statutory reserve until the surplus reserve balance reaches minimal 50% of the registered capital. For the purposes of calculating the transfer to this reserve, the profit after taxation shall be the amount determined under the People's Republic of China accounting standards. The transfer to this reserve must be made before the distribution of dividends to the shareholders.

17 Commitments

Capital commitments

The Company has not entered into any capital commitments as at 31 December 2016.

Lease commitments – operating

	2016 RMB'000	2015 RMB'000
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	309	309
One to five years	1,235	-
More than five years	-	-
Total lease commitments – operating	1,544	309

Lease commitments – operating relates to the lease of land-use rights and buildings at the Wuxi, Jiangsu Province manufacturing site and an office in Shenzhen, Guangdong Province, China.

Notes to the Financial Statements

For the year ended 31 December 2016

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18 Cash Flow Information

Reconciliation of Net Profit after Tax to Net Cash Flows from Operations

	2016	2015
	RMB'000	RMB'000
Operating Profit/(Loss) after income tax	4,476	3,261
Non-cash flows in operating surplus		
Depreciation	239	179
Gain/(Loss) on sale of property, plant and equipment	48	-
Provision for bad debts	100	175
Changes in assets and liabilities		
(Increase)/Decrease in trade receivables	(3,763)	(5,892)
(Increase)/Decrease in prepayment	(658)	(260)
(Increase)/Decrease in inventory	(3,150)	(6,122)
(Increase)/Decrease in deferred tax assets	(15)	(26)
Increase/(Decrease) in trade payables and accruals	3,044	(914)
Increase/(Decrease) in advances from customers	(662)	11,481
Increase/(Decrease) in income tax payable	339	352
Cash provided by/(used in) operating activities	(2)	2,234

19 Contingent Liabilities

As at 31 December 2016, the Company is not aware of any other contingent assets or liabilities that should be disclosed in accordance with *IFRS 37 Provisions, Contingent Liabilities and Contingent Assets*. (2015: nil).

20 Events After the Reporting Date

There are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the Company's operations in future financial years;
- the results of those operations in future financial years; or
- the Company's state of affairs in future financial years.

Notes to the Financial Statements

For the year ended 31 December 2016

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21 Related Party Transactions

a) Details of key management personnel during the year as follows:

- ZHANG Jian Gang (Chairman and General Manager)
- XING Li (Deputy General Manager)
- QIAN Jin (Finance Manager)
- CHEN Jing Wen (Procurement Manager)
- ZHANG Hao (Sales Manager)

b) Key Management Personnel Remuneration

The aggregate compensation made to Directors and other members of key management personnel ('KMP') of the Company is set out below:

	2016	2015
	RMB'000	RMB'000
Short-term employee benefits	414	328
Post-employment benefits	-	-
Share-based payments	-	-
Total KMP remuneration	414	328

c) Transaction with related parties and key management personnel

The following comprises transactions with entities in which the Directors or other members of key management personnel have an interest

	2016	2015
	RMB'000	RMB'000
ZHANG Jian Gang (Chairman and General Manager)		
Repayment of advances from related party	1,330	-

Related party transactions have arisen from normal course of business and related party loans, no specific terms and conditions have been attached to the above transactions.

d) Balances with related parties and key management personnel

	2016	2015
	RMB'000	RMB'000
ZHANG Jian Gang (Chairman and General Manager)		
Payables to related party	2,351	3,681

22 Financial Instrument Risk Management

Risk management objectives and policies

The Company is exposed to a variety of financial risks through its use of financial instruments.

Financial instruments used

The principal categories of financial instrument used by the Company:

- Trade and other receivables
- Cash at bank
- Trade and other payables

The main types of risks are market risk, credit risk and liquidity risk.

This note discloses the Company's objectives, policies and processes for managing and measuring these risks.

The Company's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Company's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below.

Market risk analysis

The Company is exposed to market risk through its use of financial instruments and specifically to interest rate risk, customer concentration risk, and certain other price risks, which result from both its operating and investing activities

Interest rate risk sensitivity

Exposure to interest rate risk arises on financial assets and liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

Price risk

The Company's financial instruments are not exposed to price risk.

Notes to the Financial Statements

For the year ended 31 December 2016

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Credit risk analysis

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

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

The Company adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from default. The utilisation of credit limits by customers is regularly monitored by line management. For significant transactions, customers are required to make sufficient prepayments in order to reduce the credit risk to an acceptable level.

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2016 RMB'000	2015 RMB'000
Classes of financial assets -		
Carrying amounts:		
Cash and cash equivalents	2,315	3,789
Trade and other receivables	22,841	19,180
Total	25,156	22,969

The Company's management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. None of the Company's financial assets are secured by collateral or other credit enhancements.

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

Notes to the Financial Statements

For the year ended 31 December 2016

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Liquidity risk

Liquidity risk arises from the Company might be unable to meet its obligations. The Company manages its liquidity needs by monitoring scheduled debt serving payments for financial liabilities as well as forecast cash inflows and outflows due in day-to-day business.

Remaining contractual maturities

The following table details the Company's remaining contractual maturity for its financial instrument liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted Average Effective Interest Rate		Interest Bearing Maturing within 1 Year		Interest Bearing Maturing within 2 to 5 Years		Non-interest Bearing Maturing within 1 Year		Total	
	2016 % per annum	2015 % per annum	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Non-interest bearing										
- Trade and other payables	-	-	-	-	-	-	27,169	26,118	27,169	26,118
Total non-interest bearing			-	-	-	-	27,169	26,118	27,169	26,118
Total			-	-	-	-	27,169	26,118	27,169	26,118

Notes to the Financial Statements

For the year ended 31 December 2016

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23 Fair value measurement

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Accounting policy for fair value measurement

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

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

24 Company Details

The registered office of the Company is:

Aobo Environmental New Energy (Wuxi) Co., Ltd
(Formerly known as Wuxi Aobo Purifying and Dehumidifying Air Conditioner Co., Ltd)
No. 358 Qianlu Road
Qianqiao Town, Huishan District,
Wuxi City, Jiangsu Province
214151 China.

Director's declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 1 to 24, are in accordance with International Financial Reporting Standards and presents fairly the financial position as at 31 December 2016 and of the performance for the year ended on that date of the Company.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Chairman
ZHANG Jian Gang

Dated this 4th day of June 2019

Independent Auditor's Report

To the Members of Aobo Environmental New Energy (Wuxi) Co., Ltd
(Formerly Wuxi Aobo Purifying and Dehumidifying Air Conditioner Co., Ltd)

Report on the audit of the financial report

Qualified opinion

We have audited the financial report of Aobo Environmental New Energy (Wuxi) Co., Ltd (the Company), which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial report of Aobo Environmental New Energy (Wuxi) Co., Ltd,

- a Presents fairly, the Company's financial position as at 31 December 2016 and of its performance for the year ended on that date; and
- b Complies with International Financial Reporting Standards.

Basis for Qualified Opinion

We were appointed auditors of the Company during 2017 and are not in a position to and do not express an opinion for the opening balances as at 1 January 2015 and as a result we were unable to determine whether any adjustments might have been found necessary which impact on the financial performance and statement of cash flows for the year ended 31 December 2015.

We were appointed as auditors of the Company during 2017 and thus did not observe the counting of the physical inventories at the beginning of the year. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at 31 December 2015 and 31 December 2016. Since opening inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the income for the year ended 31 December 2015 and 31 December 2016 reported in the statement of profit or loss and other comprehensive income and the net cash flows from operating activities reported in the statement cash flows.

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2016, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with *International Financial Reporting Standards* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard IAS 1 Presentation of Financial Statements, the financial statements and notes, comply with International Financial Reporting Standards.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 4 June 2019