Aobo Environmental Technology Limited and its controlled entities

(ACN 633 117 807)

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

Contents

Directors' Report

For the year ended 31 December 2020

The directors present their report together with the financial report of Aobo Environmental Technology Limited ("the Company") and its controlled entities ("the Group") for the year ended 31 December 2020 and the auditor's report thereon.

Directors

The following persons were directors of Aobo Environmental Technology Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Andrew Smith
Zhang Jiangang
Hon. Andrew Thomson
Brendan Connell
Jiang Ting (resigned on 30 January 2020)

Information of directors

The directors of the Company at any time during or since the end of the financial year to the date of this report are:

Name	Andrew Smith
Title	Non-Executive Chairman
Appointment date	29 April 2019
Qualifications	Bachelor of Economics and Politics
Experience and expertise	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.
Current directorships in other listed companies	None
Former directorships in other listed companies (last 3 years)	Eagle Health Holdings Limited
Special responsibilities	Chairman
Interests in shares	8,000
Interests in options	None
Contractual rights to shares	None

Name	Zhang Jiangang
Title	Executive Director and Chief Executive Officer
Appointment date	29 April 2019
Qualifications	Diploma in Business Administration
Experience and expertise	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. Mr Zhang oversees Aobo's operation and production and is responsible for developing and implementing Aobo's strategy. Prior to Aobo, Mr Zhang worked as engineer and general manager for manufacturing companies in Wuxi. He is an engineer by trade.
Current directorships in other listed companies	None
Former directorships in other listed companies (last 3 years)	None
Special responsibilities	None
Interests in shares	38,000,000
Interests in options	None
Contractual rights to shares	None

Name	Hon. Andrew Thomson
Title	Non-Executive Director
Appointment date	3 February 2020
Qualifications	Bachelor of Arts, Bachelor of Laws, Master of Laws

Experience and expertise	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. 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. He is fluent in Japanese and Mandarin.
Current directorships in other listed companies	None
Former directorships in other listed companies (last 3 years)	Eagle Health Holdings Limited
Special responsibilities	None
Interests in shares	None
Interests in options	None
Contractual rights to shares	None

Name	Brendan Connell
Title	Non-Executive Director
Appointment date	30 January 2020
Qualifications	Bachelor of Laws, GDLP
Experience and expertise	Brendan has over 35 years' experience and was formerly the Managing Partner of one of the largest law firms in South Australia. Having qualified in 1982 he has acted for numerous Chinese companies in mergers and acquisitions and in corporate finance transactions. 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. He is admitted to South Australia Supreme Court and High Court of Australia.
Current directorships in other listed companies	None
Former directorships in other listed companies (last 3 years)	None
Special responsibilities	None
Interests in shares	None
Interests in options	None
Contractual rights to shares	None

Name	Jiang Ting
Title	Non-Executive Director
Appointment date	29 April 2019 (Resigned as Director on 30 January 2020)
Qualifications	Bachelor of Laws, Master of Accounting and Finance, Master of Business Research
Experience and expertise	Mr Ting Jiang is a qualified Certified Practising Accountant in Australia and has broad experience in corporate finance and corporate advisory and legal practice, and has completed a range of capital market transactions in both Australia and China.
Current directorships in other listed companies	None
Former directorships in other listed companies (last 3 years)	None
Special responsibilities	None
Interests in shares	None
Interests in options	None
Contractual rights to shares	None

Company secretary
Mr Ting Jiang is a qualified Certified Practising Accountant in Australia and has broad experience in corporate finance and corporate advisory and legal practice, and has completed a range of capital market transactions in both Australia and China.

Principal activities
The main principal activities during the financial year were manufacturing and selling air treatment system and lithium-ion battery energy storage system in the People's Republic of China (PRC) and international markets such as Australia.

There were no significant changes in the nature of the activities of the Company during the year.

Review of operations and financial results
The Group continued to actively develop its energy storage business. The Group has regular commercial orders from Australian and UK customers.

The Group continued spend on energy storage products research and development and expanded its product lines to include high-voltage use and small commercial use.

The new manufacturing facility is completed and undergoing internal decoration. It is expected that the new manufacturing facility will be ready to use in approximately May 2021.

The Group has recorded a net loss for the financial year of $60,944 (2019 profit: $457,922). The loss was primarily caused by the drop in revenue as a result of global COVID-19 outbreak which caused clients either to cancel or defer their orders.

Dividends
No dividend has been declared, recommended or paid relating to the 31 December 2020 financial year.

Shares under option
There were no unissued ordinary shares of the company under option outstanding at the date of this report.

Shares issued on the exercise of options
There were no ordinary shares of the company issued on the exercise of options during the year ended 31 December 2020 and up to the date of this report.

Significant Changes in State of Affairs
The Group has been successfully listed on NSX (National Stock Exchange of Australia) on 30 November 2020. There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Subsequent Events After the Balance Date
The Directors are not aware of any matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

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

Likely Developments
The Group will continue to
- Enhance its advantage in lithium battery manufacturing industry and seek additional growth opportunities in other industries for air treatment business
- Focus on growing battery energy storage business and expand international markets by geography
- Strengthen business relationship with large photovoltaic or energy storage integrators in its core energy storage markets including Australia, UK, European Union, USA and China
- Strengthen product research and development, and broaden the range of battery energy storage products to meet different customer needs and application scenarios
- Expand energy storage production capacity and enhance scale effect

Environmental Regulation
The Group is subject to environmental regulations under Commonwealth and State legislation and those of the People's Republic of China. The Board is not aware of any breach of those environmental requirements.

Indemnification and Insurance of Directors and Officers
No indemnities have been given or insurance premiums paid, during the financial year for any person who is or had been an officer of the Company.

Indemnification of Auditors
To the extent permitted by law, the Company has agreed to indemnify its auditors, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify during or since the financial year.

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

Directors' Meetings
The following table sets out the number of Directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or Committee member).

	Board of Directors		**Audit and Risk Committee**		**Remuneration Committee**	
	A	B	A	B	A	B
Andrew Smith	4	4	-	-	-	-
Zhang Jiangang	4	4	-	-	-	-
Hon. Andrew Thomson	4	4	-	-	-	-
Brendan Connell	4	4	-	-	-	-
Jiang Ting*	-	-	-	-	-	-

* Jiang Ting was a Non-Executive Director since 29 April 2019 and resigned as a Directors on 30 January 2020.
Column A is the number of meetings the Director was entitled to attend
Column B is the number of meetings the Director attended

Remuneration report (audited)
The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Remuneration policy
- Details of remuneration
- Service agreements
- Share-based compensation
- Other information
- Additional disclosures relating to key management personnel

Directors and Key Management Personnel ("KMP")

Andrew Smith	Non-Executive Chairman
Zhang Jiangang	Executive Director
Hon. Andrew Thomson	Non-Executive Director
Brendan Connell	Non-Executive Director
Jiang Ting *	Non-Executive Director

* Jiang Ting was a Non-Executive Director since 29 April 2019 and resigned as a Directors on 30 January 2020.

Remuneration policy
The remuneration policy of the Group has been designed to align directors' objectives with shareholders and business objectives. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors

to run and manage the business, as well as create goal congruence between directors, executives and shareholders. The Board's policy for determining the nature and amount of remuneration for Board members of the Company is as follows:

The Board is responsible for determining and reviewing the compensation of the directors and the executive directors are responsible for determining and reviewing the remuneration of senior executives. This process requires consideration of the levels and form of remuneration and appropriate to secure, motivate and retain executives with the skills to manage the Group's operations. The Board assesses market rates in connection with the structure of remuneration packages. The Board also recommends levels and form of remuneration for non-executive directors with reference to performance and relevant comparative remuneration. The total sum of remuneration payable to non-executive directors shall not exceed the sum fixed by members of the Company in general meeting.

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

Details of remuneration

		Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled shares $	Equity-settled options $	Total $
Non-Executive Directors:									
Andrew Smith	2020	5,417	-	-	-	-	-	-	5,417
	2019	-	-	-	-	-	-	-	-
Hon. Andrew Thomson	2020	3,333	-	-	-	-	-	-	3,333
	2019	-	-	-	-	-	-	-	-
Brendan Connell	2020	3,333	-	-	-	-	-	-	3,333
	2019	-	-	-	-	-	-	-	-
Jiang Ting*	2020	-	-	-	-	-	-	-	-
	2019	-	-	-	-	-	-	-	-
Executive Directors:									
Zhang Jiangang	2020	60,914	21,005	-	-	-	-	-	81,919
	2019	62,487	30,247	-	-	-	-	-	92,734
Total	2020	72,997	21,005	-	-	-	-	-	94,002
Total	2019	62,487	30,247	-	-	-	-	-	92,734

* Jiang Ting was a Non-Executive Director since 29 April 2019 and resigned on 30 January 2020. There is no director fee paid or payable for the period Jiang Ting acting as the Non-Executive Director for the company,

Service Agreements

Remuneration and other terms of employment for the directors are formalised in service agreements as summarised below:

Andrew Smith

According to a letter of appointment, Andrew Smith is entitled to a director fee of 65,000 per annum ($60,000 for Non-Executive Chairman role and $5,000 for being a director of the Company's subsidiary Aobo New Energy Pty Ltd), payable after the Company is publicly listed.

Hon. Andrew Thomson

According to a letter of appointment, Hon. Andrew Thomson is entitled to a director fee of 40,0000 per annum, payable after the Company is publicly listed.

Brendan Connell

According to a letter of appointment, Brendan Connell is entitled to a director fee of 40,0000 per annum, payable after the Company is publicly listed.

Zhang Jiangang

The employment agreement for Mr Zhang is framework agreement without specific employment term. The salaries and bonus are paid as disclosed in above renumeration table.

Options granted as part of remuneration
There were no options issued during the year to any of the KMP.

Share-based compensation
No shares in the Company were provided as remuneration to KMP of the Company.

Additional information
The earnings of the consolidated entity for the five years to 31 December 2020 are summarised below:

	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000
Sales revenue	8,051,663	-	-	-	-
EBITDA	553,530	-	-	-	-
EBIT	228,393	-	-	-	-
Profit after income tax	-60,944	-	-	-	-

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2020	2019	2018	2017	2016
Share price at financial year end ($)	0.39	-	-	-	-
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(0.03)	-	-	-	-

Company is officially listed on NSX (National Stock Exchange of Australia) since 30 November 2020.

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Andrew Smith	-	-	8,000	-	8,000
Zhang Jiangang	38,000,000	-	-	-	38,000,000
Hon. Andrew Thomson	-	-	-	-	-
Brendan Connell	-	-	-	-	-
Jiang Ting	-	-	-	-	-
	38,000,000	-	8,000	-	38,008,000

End of Remuneration Report (Audited)

Auditor's Independence Declaration
The auditor's independence declaration is set out immediately after the Directors' Report and forms part of the Directors' Report for the financial year ended 31 December 2020.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

Dated at this 30 day of April 2021

Andrew Smith
Chairman of the Board

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Aobo Environmental Technology Limited (the company) and its controlled entities (the group) for the year ended 31 Dec 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the ***Corporations Act 2001*** in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

Anthony Travers

Anthony Travers
Partner

Sydney, NSW
Dated: 30 April 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Note	2020 AUD	2019 AUD
Sales revenue	5	8,051,663	13,848,152
Cost of sales		(6,065,173)	(9,475,191)
Gross profit		**1,986,490**	**4,372,961**
Other income	5	1,490,051	5,868
Interest income		16,471	59,360
Sales and marketing expenses	6	(875,378)	(1,417,327)
Research and development expenses		(1,001,861)	(954,404)
Administrative expenses	6	(1,178,737)	(1,368,136)
Other expenses		(192,172)	(6,638)
Finance costs	6	(361,268)	(377,541)
Profit before income tax		**(116,404)**	**314,143**
Income tax benefit	7	55,460	143,779
Profit(loss) for the year		**(60,944)**	**457,922**
Other comprehensive income(loss):			
Items that may subsequently be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(388,681)	(62,195)
Total comprehensive income(loss) for the period		**(449,625)**	**395,727**
Earnings per share on profit attributable to ordinary equity holders			
Basic earnings per share (cents per share)	30	(0.03)	1.42
Diluted earnings per share (cents per share)	30	(0.03)	1.42

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

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	2020 AUD	*Restated (Note 4) 2019 AUD
Current assets			
Cash and cash equivalents	9	630,690	1,232,904
Trade and other receivables	10	9,951,344	10,531,069
Inventories	11	3,439,586	1,689,065
Right of use asset		-	86,547
Other current assets	12	2,193,013	7,657,209
Total current assets		16,214,633	21,196,794
Non-current assets			
Property, plant and equipment	13	6,843,118	3,100,029
Intangible Assets		-	55,785
Deferred tax assets	17	150,873	85,299
Land use rights	14	2,619,746	1,928,502
Total non-current assets		9,613,737	5,169,615
Total assets		**25,828,370**	**26,366,409**
Current liabilities			
Trade and other payables	15	9,399,542	8,585,428
Other financial liabilities	16	5,734,762	7,429,443
Lease liability		-	90,843
Current tax liabilities	17	74,996	-
Total current liabilities		15,209,300	16,105,714
Total liabilities		**15,209,300**	**16,105,714**
Net assets		**10,619,070**	**10,260,695**
Equity			
Issued capital	18	808,100	100
Reserves	20	(485,151)	(96,470)
Retained earnings		10,296,121	10,357,065
Total equity		**10,619,070**	**10,260,695**

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	*Restated (Note 4) Issued Capital AUD	*Restated (Note 4) Reserves AUD	*Restated (Note 4) Retained earnings AUD	*Restated (Note 4) Total AUD
Balance at 31 December 2018	**-**	**(34,275)**	**9,903,389**	**9,869,114**
Effects of AASB 16	-	-	(4,246)	(4,246)
Balance at 1 January 2019	**-**	**(34,275)**	**9,899,143**	**9,864,868**
Profit for the year	-	-	457,922	457,922
Other comprehensive income for the year	-	(62,195)	-	(62,195)
Total comprehensive income for the year	**-**	**(62,195)**	**457,922**	**395,727**
Issuance of share capital, net of related issuance costs	100	-	-	100
Transactions with owners in their capacity as owners	**100**	**-**	**-**	**100**
Balance at 31 December 2019	**100**	**(96,470)**	**10,357,065**	**10,260,695**
Balance at 1 January 2020	**100**	**(96,470)**	**10,357,065**	**10,260,695**
Profit for the year	-	-	(60,944)	(60,944)
Other comprehensive income for the year	-	(388,681)	-	(388,681)
Total comprehensive income for the year	**100**	**(485,151)**	**10,296,121**	**9,811,070**
Issuance of share capital, net of related issuance costs	808,000	-	-	808,000
Transactions with owners in their capacity as owners	**808,000**	**-**	**-**	**808,000**
Balance at 31 December 2020	**808,100**	**(485,151)**	**10,296,121**	**10,619,070**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 AUD	2019 AUD
Cash flows from operating activities			
Receipts from customers		13,248,105	14,683,524
Payments to suppliers and employees		(10,269,883)	(14,223,614)
Interest received		16,471	59,360
Finance costs		(361,268)	(377,541)
Income tax paid		(42,527)	(733,199)
Net cash provided by (used in) operating activities	22	2,590,898	(591,470)
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,759,552)	(128,876)
Purchase of intangible assets		(31,094)	(11,948)
Purchase of land use rights		-	(1,949,722)
Purchase for other investments		(143,509)	-
Receipts from disposal of property, plant and equipment		75,514	-
Net cash provided by (used in) investing activities		(1,858,641)	(2,090,546)
Cash flows from financing activities			
Proceeds from borrowings		568,422	2,045,994
Proceeds from issuance of shares		808,000	100
Repayment of borrowings		(2,137,899)	-
Net movements in related party loans		(588,132)	-
Advances to related parties		-	(363,565)
Repayments from related parties		-	258,316
Net cash provided by (used in) financing activities		(1,349,609)	1,940,845
Net change in cash and cash equivalents held		(617,352)	(741,171)
Cash and cash equivalents at beginning of financial year		1,232,904	2,001,179
Effect of exchange rates on cash holdings in foreign currencies		15,138	(27,104)
Cash and cash equivalents at end of financial year	9	630,690	1,232,904

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

1 Nature of operations, General information and Statement of Compliance

Aobo Environmental Technology Limited ("Company") and its subsidiaries (the "Group") is a public listed company, incorporated in Australia on 29 April 2019.

The principal activities are included in the directors' report, which is not part of the financial statement. The Group operates predominately in one geographical location being the People's Republic of China (PRC) where the majority of the Group's assets are held. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2020.

All amounts are presented in Australian Dollars (unless otherwise stated) which is the Group's presentational currency and the functional currency of Aobo Environmental Technology Limited (parent entity).

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The consolidated financial statements were authorised for issue by the directors on 30 April 2021.

2 Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Conceptual Framework for Financial Reporting (Conceptual Framework)
The consolidated entity has adopted the revised Conceptual Framework from 1 January 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Principle of Consolidation
The Group financial statements consolidate those of Aobo Environmental Technology Limited and its controlled entities as of 31 December 2020. 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.

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

A list of controlled entities is contained in Note 27 to the consolidated financial statements.

Business Combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Comparative Financial Statement Presentation
The consolidated financial statements can be presented using one of two methods. The first method, being the consolidated financial statements can incorporate the acquired entity's results as if both entities (acquirer and acquire) had always been combined. Alternatively, the consolidated financial statements can incorporate acquired entity's results only from the date on which the transaction occurred.

Management has determined to use option one – reporting comparatives as if the Group had always been combined.

Revenue
Revenue arises mainly from sale of air treatment system and lithium-ion battery energy storage system.

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
- 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 are 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.

Income Tax

The income tax expense for the year comprises current income tax expense and deferred income tax expense. The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Aobo Environmental Technology Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

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.

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. Refer to Note 26 for details of credit risk analysis of the Group.

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.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

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

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.

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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

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.

Land use rights
Land use rights have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation of land use rights are calculated using the straight line method to allocate the cost of the land use right over its estimated useful life. Land use rights which has been recognised as an unamortised upfront payment as a finance lease in accordance with AASB 16 Leases to the extent to which risks and rewards incidental to ownership of the land resides within the Group arising from the land right term.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

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.

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.

Value Added Tax (VAT)/Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of VAT/GST, except where the amount of VAT/GST incurred is not recoverable from the Local Taxation Office. In these circumstances, the VAT/GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the 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/GST component of investing and financing activities, which are disclosed as operating cash flows.

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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.

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

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share
Diluted earnings per share adjust the figures used to determine basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Foreign Currency Translations and Balances
Functional and presentation currency
The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Australian Dollars which is the parent entity's functional and presentational currency.

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

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

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

Group Companies
The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

Borrowing costs

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale. All other borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

Accounting Standards issued but not yet effective and not been adopted early by the Group

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2020. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

3 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.

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.

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.

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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 10, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

4 Restatement of comparatives

Correction of error
An error was discovered in the consolidation journals for the group consolidation process in 2019 financial year. As a result, the trade and other payables was understated by $1,022,998, the issued capital was overstated by $209,367 and the retained earnings was overstated by $837,469. Extracts (being only those line items affected) are disclosed below.

Extract	1 Jan 2019 Reported	Adjustment	1 Jan 2019 Restated
Current liabilities			
Trade and other payables	7,140,444	1,022,998	8,457,208
Total current liabilities	15,082,716	1,022,998	16,105,714
Total liabilities	15,082,176	1,022,998	16,105,714
Net assets	11,283,693	(1,022,998)	10,260,695
Equity			
Issued capital	209,467	(209,367)	100
Reserves	(120,308)	23,838	(96,470)
Retained earnings	11,194,534	(837,469)	10,357,065
Total equity	11,283,693	(1,022,998)	10,260,695

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5 Revenue and Other Income

Operating activities	2020 AUD	2019 AUD
Revenue recognised at point in time		
- Sales of goods	8,051,663	13,848,152
Total revenue	8,051,663	13,848,152
Non-operating activities		
Other income*	1,490,051	5,868
Total other income	1,490,051	5,868

*AUD1,450,564 was received in 2020 as a compensation for existing factory demolition in the near future.

6 Expenses

	2020 AUD	2019 AUD
Depreciation and amortisation		
Included in:		
- Cost of sales – manufacturing	141,468	59,598
- Research and development	91,994	95,760
- Administrative expenses	181,212	224,889
Total depreciation and amortisation expenses	414,674	380,247
Employee expenses		
Included in:		
- Cost of sales – manufacturing	199,122	411,393
- Research and development	230,480	533,318
- Sales staff – sales and marketing	99,500	105,276
- Administration staff	372,794	717,195
Total employee benefits	901,896	1,767,182
Finance costs		
Bank charges	2,248	2,936
Interest expense	359,020	374,604
Total finance costs	361,268	377,540
Net foreign exchange loss		
Net foreign exchange loss	1,350	2,883

7 Income Tax Expense

	2020 AUD	2019 AUD
The components of tax expense comprise:		
Current tax	(34,759)	108,044
Deferred tax	67,986	35,735
Adjustment recognised for prior period	22,235	-
Total income tax benefit	55,462	143,779
Reconciliation of tax expense/(benefit)		
Profit before income tax	(116,404)	314,143
Prima facie tax payable on profit before income tax at 30%	(34,921)	94,242
Less:		
Differences in taxation rates in foreign subsidiaries	5,820	(19,963)
High-tech enterprise status incentive (15% tax rate)	(23,173)	(39,927)
Adjustment recognised for prior period	(22,235)	-
Other tax effects	19,047	(178,131)
Income tax attributable to the Group	(55,462)	(143,779)

The Group is subject to the income tax law of Australia, People's Republic of China (PRC) and Hong Kong (HK).

8 Segment Reporting

The Group operates predominately in one segment. This is based on the internal reports that are reviewed and used by the Board of Directors/Management, who are identified as the Chief Operating Decision Makers ('CODM') in assessing performance and determining the allocation of resources.

The Board has considered the requirements of AASB 8 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.

9 Cash and Cash Equivalents

	2020 AUD	2019 AUD
Cash on hand	503	3,165
Cash at bank	630,187	1,229,739
Total cash and cash equivalents	630,690	1,232,904

10 Trade and Other Receivables

	2020 AUD	2019 AUD
Current		
Trade receivables	9,851,074	8,811,661
Less: Allowance for expected credit losses	(561,496)	(373,384)
Other receivables		
- Short-term security deposits (Refer to Note 16)	-	716,098
- Other receivables	661,766	1,376,694
Total current trade and other receivables	9,951,344	10,531,069

Allowance for expected credit losses
The consolidated entity has recognised a loss of $209,891 in profit or loss in respect of the expected credit losses for the year ended 31 December 2020.

The consolidated entity has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay, due to the Coronavirus (COVID-19) pandemic. As a result, the consolidated entity reassessed customer credit risk characteristics for expected credit losses and decided there are two distinct group of customers. The calculation of expected credit losses has been revised as at 31 December 2020 accordingly.

31 December 2020	Within 1 year	1 -2 years	2 – 3 years	> 3 years	Total
Group 1*					
Expected loss rate	6%	13%	22%	26%	
Gross carrying amount	77,046	439,713	844,971	1,117,721	2,479,451
Loss allowance	4,623	57,163	185,894	289,522	537,202
Group 2**					
Expected loss rate	0%	0%	7%	30%	
Gross carrying amount	4,430,748	2,617,103	316,684	7,088	7,371,623
Loss allowance	-	-	22,168	2,126	24,294
Total trade receivables	4,507,794	3,056,816	1,161,655	1,124,809	9,851,074
Total loss allowance	4,623	57,163	208,062	291,648	561,496

* customer historically with longer repayment period and higher credit risk
**large, regular, creditable customers historically with shorter repayment period and lower credit risk

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31 December 2019	Within 1 year	1 -2 years	2 – 3 years	> 3 years	Total
Expected loss rate	1%	25%	100%	100%	
Gross carrying amount	7,702,477	996,672	43,827	68,685	8,811,661
Loss allowance	103,343	188,219	43,827	37,995	373,384

Movements in the allowance for expected credit losses are as follows:

	Consolidated 2020 $'000	Consolidated 2019 $'000
Opening balance	373,384	372,192
Additional provisions recognised	561,496	373,384
Receivables written off during the year as uncollectable	-	-
Unused amounts reversed	(373,384)	(372,192)
Closing balance	561,496	373,384

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances. Trade receivable include un-invoiced amount to $3,397,671 (2018: $822,209) as at 31 December 2020. The un-invoiced amounts related to confirmed sales and the collection of such amount is pending the passage of time.

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

Short-term bank security deposits are interest bearing and pledged as security for notes payable (Refer to Note 16) which is not available for general use by the Group but offset against notes payable on maturity. The effective interest rate on short-term bank security deposit was 3.51% per annum.

11 Inventory

	2020 AUD	2019 AUD
Current		
Raw materials	1,746,026	976,315
Finished goods	934,553	251,520
Work in progress	759,007	350,477
Outsourced goods	-	15,754
Goods in transit	-	94,999
Total inventory	3,439,586	1,689,065

12 Other current assets

	2020 AUD	2019 AUD
Prepayment to suppliers for purchases and services	2,042,071	7,641,664
Other current assets	150,940	15,545
Total other current assets	2,193,011	7,657,209

Within other prepayment to suppliers for purchases and services at 31 December 2020 is a prepayment to Jiang Ting (former Non-Executive Director) for services provided. Refer to Note 25 Related Party Transactions for details.

Within prepayment at 31 December 2019, $7.06 million (RMB34.52 million) is associated with prepayment to lithium battery suppliers and equipment suppliers for future battery and equipment purchases. The Group has entered into agreements with these customers to take-up stock of lithium batteries for the production of the Group's battery energy storage system. Lithium batteries have been provided to the Group by the customers at a price point below that of the wholesale market price and the Group has been able to receive lithium batteries below the standard minimum order quantities required by reputable suppliers.

13 Property, Plant and Equipment

	2020 AUD	2019 AUD
Machinery and Office Equipment		
At cost	1,182,554	1,198,036
Accumulated depreciation	(675,027)	(540,985)
Total machinery and office equipment	507,527	657,051
Leasehold Improvement		
At cost	213,699	213,699
Accumulated depreciation	(213,699)	(151,656)
Total leasehold improvement	-	62,043
Motor Vehicles		
At cost	374,287	382,379
Accumulated depreciation	(352,124)	(341,910)
Total motor vehicles	22,163	40,469
Construction in Progress	6,313,428	2,340,466
Total property, plant and equipment	6,843,118	3,100,029

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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	Leasehold Improvement	Motor Vehicles	Construction in Progress	Total
	AUD	AUD	AUD	AUD	AUD
Balance at 1 January 2019	**816,301**	**134,176**	**67,621**	**-**	**1,018,098**
Additions	3,591	-	-	2,382,286	2,385,877
Depreciation	(160,109)	(72,506)	(27,175)	-	(259,790)
Net exchange differences	(2,732)	373	23	(41,820)	(44,156)
Balance at 31 December 2019	**657,051**	**62,043**	**40,469**	**2,340,466**	**3,100,029**
Additions	21,106	-	-	4,039,131	4,060,237
Depreciation	(149,336)	(62,043)	(19,881)	-	(231,260)
Net exchange differences	(21,294)	-	1,575	(66,169)	(85,888)
Balance at 31 December 2020	**507,527**	**-**	**22,163**	**6,313,428**	**6,843,118**

14 Land use rights

	2020	2019
	AUD	AUD
At cost	2,691,952	1,960,533
Accumulated amortisation	(72,206)	(32,031)
Total land use rights	2,619,746	1,928,502

Movements in Carrying Amounts

Movement in the carrying amounts for land use right between the beginning and the end of the current financial year:

	2020
	AUD
Balance at 1 January 2020	1,928,502
Additions	787,307
Amortisation	(41,082)
Net exchange differences	(54,981)
Total land use rights	2,619,746

Land use rights relate to the following:

Location	Use of property	Land area (sq.metres)	Tenure
Land Registration – Huishan Area, Wuxi City, Jiangsu Province, People's Republic of China	Industrial	26,756	50 years (valid until 13 February 2069)

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15 Trade and Other Payables

	2020 AUD	2019 AUD
Current		
Trade payables	2,546,506	5,838,523
VAT and other taxes payable	59,837	176,223
Other payables *	562,935	1,094,742
Customer deposits	825,569	421,986
Accrued expenses**	5,333,912	818,806
Payroll liabilities	70,780	235,145
Total trade and other payables	9,399,539	8,585,425

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

*Within other payables there are amounts payable to shareholder, Zhang Jiangang (Director). Refer to Note 25 Related Party Transactions for details.

**Accrued expenses relating to the construction of a new manufacturing site in Wuxi. Per the construction agreement, 30% of contract price is payables after one month of completion of the construction. 35% is payable after 1 year and the remaining 35% is payable after 2 years of completion of the construction.

16 Other Financial Liabilities

	2020 AUD	2019 AUD
Short-term borrowings*	5,583,822	6,751,780
Notes payables **	150,940	677,663
Total other financial liabilities	5,734,762	7,429,443

* Short term borrowings amounting to $5.58 million (RMB28 million) (2019: $6,75 million (RMB33 million)) are secured by personal guarantees provided by Zhang Jiangang (Director) and Mu Xianhong (wife of Zhang Jiangang). Interest is payable on rates between 4.35% to 5.22% per annum (2019: 4.785% to 5.22% per annum) for the current financial period with maturity dates between January 2021 and October 2021. Land use rights (Refer to Note 14) has also been used as guarantees for short-term borrowings.

** Notes payable are guaranteed by short term security deposit within Trade and Other Receivables.

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	2020 AUD	2019 AUD
Total facilities		
Bank loans	5,566,821	6,751,780
	5,566,821	6,751,780
Used at the reporting date		
Bank loans	5,566,821	6,751,780
	5,566,821	6,751,780
Unused at the reporting date		
Bank loans	-	-
	-	-

17 Taxation

(a) Current tax liabilities

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

	2020 AUD	2019 AUD
Current		
Income tax payable	74,996	-

(b) Deferred tax assets

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

	2020 AUD	2019 AUD
Provision for expected credit losses	140,374	50,190
Other	10,499	35,109
Total	150,873	85,299

18 Issued Capital

	2020 Shares	2019 Shares	2020 AUD	2019 AUD
Ordinary shares - fully paid	193,232,000	100	808,100	100

Details	Date	Shares	Issue price	AUD
Balance	1 January 2019	-		-
Issue of shares	April 2019	100	$1	100
Issue of shares (no cash consideration)	November 2019	189,999,900	-	-
Balance	31 December 2019	190,000,000		100
Issue of shares	November 2020	3,232,000	$0.25	808,000
Balance	31 December 2020	193,232,000		808,100

19 Capital Management

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

Management effectively manages the Group's capital by assessing the Group'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.

	2020 AUD	2019 AUD
Total liabilities	15,209,300	16,105,714
Less: cash and cash equivalents	(630,690)	(1,232,904)
Net liabilities/(Net cash and cash equivalents)	14,578,610	14,872,810
Total equity	10,619,070	10,260,695
Net liabilities/(Net cash and cash equivalents) to equity ratio	137%	145%

20 Reserves

	2020 AUD	2019 AUD
Statutory reserve	140,746	140,746
Foreign currency translation reserve	(625,897)	(237,216)
Total reserves	(485,151)	(96,470)

Statutory reserve
Pursuant to the current People's Republic of China Company Law, the Group 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.

Foreign Currency Translation Reserve
The foreign currency translation reserve represents exchange differences arising from translation of the subsidiaries' functional currency (Chinese Renminbi and Hong Kong Dollars) into presentational currency of the Group (Australian Dollars).

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

	Statutory reserve AUD	Foreign currency AUD	Total AUD
Balance at 1 January 2019	140,746	(175,021)	(34,275)
Foreign currency translation	-	(62,195)	(62,195)
Balance at 31 December 2019	140,746	(237,216)	(96,470)
Foreign currency translation	-	(388,681)	(388,681)
Balance at 31 December 2020	140,746	(625,897)	(485,151)

21 Commitments

Capital commitments

The Group has no capital commitments as at 31 December 2020. Following capital commitments were noted in 2019 financial year.

Aobo Environmental Technology (Wuxi) Co., Limited entered into a construction contract on 6 September 2019 for the construction of a new manufacturing site. The total contract value is RMB32.5 million (AUD$6.65 million). As at 31 December 2019, there is RMB21.775 million (AUD$4.46 million) remaining of the contract value based on the level of completed works at 31 December 2019.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

22 Cash Flow Information

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

	2020 AUD	2019 AUD
Operating Profit/(Loss) after income tax	**(60,944)**	**457,922**
Non-cash flows in operating surplus		
Depreciation/Amortisation	414,674	353,794
Provision for expected credit losses	209,892	3,756
Gain/(Loss) on sale of property, plant and equipment		-
Changes in assets and liabilities		
(Increase)/Decrease in trade and other receivables	(579,725)	8,302,362
(Increase)/Decrease in other current assets	5,464,196	(6,989,683)
(Increase)/Decrease in deferred tax assets	74,996	(35,108)
(Increase)/Decrease in inventory	(1,750,521)	254,144
Increase/(Decrease) in trade and other payables	(1,247,244)	(2,096,786)
Increase/(Decrease) in income tax payable	65,574	(841,871)
Cash provided by/(used in) operating activities	**2,590,898**	**(591,470)**

23 Contingent Liabilities

As at 31 December 2020, the Group is not aware of any other contingent assets or liabilities that should be disclosed in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets (2019: nil).

24 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 Group’s operations in future financial years;
- the results of those operations in future financial years; or
- the Group’s state of affairs in future financial years.

25 Related Party Transactions

Details of Key Management Personnel during the year as follows:

Andrew Smith (Non-Executive Chairman)
Zhang Jiangang (Executive Director)
Andrew Thomson (Non-Executive Director)
Brendan Connell (Non-Executive Director)
Jiang Ting (Non-Executive Director) *(Resigned on 30 January 2020)*

Key Management Personnel Remuneration

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

	2020 AUD	2019 AUD
Short-term employee benefits	94,002	92,734
Post-employment benefits	-	-
Share-based payments	-	-
Total KMP remuneration	94,002	92,734

Transaction with related parties and key management personnel

The following comprises transactions with entities in which the Directors have an interest

	2020 AUD	2019 AUD
Zhang Jiangang (Executive Director)		
Advances to related party*	(554,422)	(151,609)
Receipts from related party	-	159,109
Wuxi Aogang New Energy Co., Ltd		
(Director related entity)		
Advances to related party	(1,344,306)	(53,391)
Receipts from related party	1,501,842	99,207
Jiang Ting (Non-Executive Director) ***(Resigned 30 January 2020)***		
Advances to related party	(252,924)	(158,565)

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.

Balances with related parties and key management personnel

	2020	2019
	AUD	**AUD**
Zhang Jiangang (Executive Director)		
Payable to related party*	447,153	1,001,575
Wuxi Aogang New Energy Co., Ltd		
(Director related entity)		
Payable to related party	149,111	45,011
Jiang Ting (Non-Executive Director) ***(Resigned 30 January 2020)***		
Prepayment to related party	408,705	155,781

*Included in payables to Zhang Jiangang (Executive Director) is $437,393 (RMB:2,200,000) (2019:$994,075 (RMB:5,000,000)) which Zhang Jiangang has advanced to Aobo Environmental Technology (Wuxi) Co., Limited (AETWX) in 2018 financial year to acquire the share in Aobo Environmental New Energy (Wuxi) Co., Limited. During 2020 financial year, repayment of $588,134 (RMB: 2,800,000) has been made by AETWX to Zhang Jiangang.

a) Other transactions with related parties and key management personnel

Zhang Jiangang (Director) and Mu Xianhong (wife of Zhang Jiangang) have provided a personal guarantee for short-term borrowings (Refer to Note 16).

26 Financial Instrument Risk Management

Risk management objectives and policies

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

Financial instruments used

The principal categories of financial instrument used by the Group:

- Trade and other receivables
- Cash at bank
- Trade and other payables
- Other financial liabilities

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

The Group 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 Group is exposed are described below.

Market risk analysis

Foreign currency risk
The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. However, the Group is not exposed to significant foreign currency risk given the transaction denominated in foreign currency is not material.

Interest rate risk
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. However, the Group is not exposed to significant interest rate risk given the financial liabilities are in fixed rate.

Price risk
The consolidated entity is not exposed to any significant price risk.

Credit risk
Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group. 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 Group 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 Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2020	**2019**
	AUD	**AUD**
Classes of financial assets -		
Carrying amounts:		
Cash and cash equivalents	630,690	1,232,904
Trade and other receivables	9,951,344	10,531,069
Total	**10,582,034**	**11,763,973**

The Group'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 Group's financial assets are secured by collateral or other credit enhancements.

The credit risk for liquid funds is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

The group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers. As disclosed in note 10, due to the Coronavirus (COVID-19) pandemic, the calculation of expected credit losses has been revised as at 31 December 2020.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 3 year.

Liquidity risk

Liquidity risk arises from the Group might be unable to meet its obligations. The Group 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 Group'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 consolidated statement of financial position.

2020	Weighted average interest rate %	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Non-interest bearing						
Trade payables	-	2,546,506	-	-	-	2,546,506
Other payables	-	6,782,253	-	-	-	6,782,253
Notes payables	-	150,940	-	-	-	150,940
Interest-bearing - fixed rate						
Bank loans	4.74%	5,583,822	-	-	-	5,583,822
Total		15,063,521	-	-	-	15,063,521

2019	Weighted average interest rate %	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Non-interest bearing						
Trade payables	-	5,838,523	-	-	-	5,838,523
Other payables	-	2,511,757	-	-	-	2,511,757
Interest-bearing - fixed rate						
Bank loans	5.05%	7,429,443	-	-	-	7,429,443
Lease liability	5.03%	90,843	-	-	-	90,843
Total		15,870,566	-	-	-	15,870,566

Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

27 Controlled Entities

Details of subsidiaries controlled by the Group as at 31 December 2020 are as follows:

	Country of Incorporation	Percentage Owned (%) 31 December 2020	31 December 2019
Aobo Environmental Technology Limited	Australia		
Subsidiaries of Aobo Environmental Technology Limited			
i. Aobo New Energy Pty Ltd	Australia	100%	100%
ii. Aobo Environmental Technology (Hong Kong) Limited ("Aobo HK")	Hong Kong (People's Republic of China)	100%	100%
iii. Aobo Environmental Technology (Wuxi) Co., Limited ("AETWX")	People's Republic of China	100%	100%
iv. Aobo Environmental New Energy (Wuxi) Co., Limited ("AENEWX")	People's Republic of China	100%	100%

(1) Percentage of voting power is in proportion to ownership.

28 Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the company, its network firms and unrelated firms:

	Consolidated 2020 AUD	2019 AUD
Audit services – RSM Australia Partners		
Audit of the financial statements	90,000	-
Audit services - unrelated firms		
Audit or review of the financial statements	-	148,860
Total	90,000	148,860

Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

29 Business Reconstruction

Transaction between Aobo Environmental Technology Limited and Aobo Environmental Technology (Hong Kong) Limited

Pursuant to a Share Sale Deed dated 6 May 2019, Aobo Environmental Technology Limited acquired 100% of the share capital in Aobo Environmental Technology (HK) Limited and its controlled entities and became a wholly owned subsidiary of the Company. This was finalised on the 19 November 2019 by way of issuance of 189,999,900 shares in the Company to existing shareholders of Aobo Environmental Technology (HK) Limited as consideration.

Through this transaction effective control of Aobo Environmental Technology (HK) Limited passed to the shareholders of Aobo Environmental Technology Limited. The transaction is the one referred to in AASB 3 Business Combinations as common control transaction, as the nature and substance of this transaction is a group restructure where following the restructure Aobo Environmental Technology Limited took control of Aobo Environmental Technology (HK) Limited with no change in underlying control.

The fair value of the equity instruments issued has been estimated by reference to the value of historical net assets as of 31 December 2019 of the Aobo Environmental Technology (HK) Limited group.

The following has been extracted from the consolidated financial information of Aobo Environmental Technology (HK) Limited as at 31 December 2019.The assets and liabilities of Aobo Environmental Technology (HK) Limited as at 31 December 2019 were:

	December 2019 **AUD**
Cash and cash equivalents	1,198,634
Trade and other receivables	10,509,332
Inventories	1,620,305
Right of use asset	86,547
Other current assets	7,657,209
Property, plant and equipment	3,100,029
Intangible Assets	55,785
Deferred tax assets	85,299
Land use rights	1,928,502
Trade and other payables	(7,018,761)
Other financial liabilities	(7,429,443)
Contract liabilities	(411,986)
Lease liability	(90,843)
Total net assets acquired	**11,290,609**

Accounted for as:	
Issued capital	209,367
Reserves	(120,308)
Retained earnings	11,201,550
Total	**11,290,609**

Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

Transaction between Aobo Environmental Technology Limited and Aobo New Energy Pty Ltd

Pursuant to a Share Sale Deed dated 15 November 2019, Aobo New Energy Pty Ltd was acquired from Zhang Jiangang (Executive Director), sole shareholder of Aobo New Energy Pty Ltd prior to the acquisition by Aobo Environmental Technology Limited.

At the time of the transaction, Zhang Jiangang (Executive Director) was both the controlling shareholder of Aobo Environmental Technology Limited and Aobo New Energy Pty Ltd. Through this transaction effective control of Aobo Environmental New Energy Pty Ltd passed to the shareholders of Aobo Environmental Technology Limited. The transaction is the one referred to in AASB 3 Business Combinations as common control transaction, as the nature and substance of this transaction is a group restructure where following the restructure Aobo Environmental Technology Limited took control of Aobo New Energy Pty Ltd with no change in underlying control.

The fair value of the equity instruments issued has been estimated by reference to the value of historical net assets as of 31 December 2019 of Aobo New Energy Pty Ltd.

The following has been extracted from the financial information of Aobo New Energy Pty Ltd as at 31 December 2019.The assets and liabilities of Aobo New Energy Pty Ltd as at 31 December 2019 were:

	December 2019 AUD
Cash and cash equivalents	34,270
Trade and other receivables	21,737
Inventories	68,760
Trade and other payables	(121,683)
Contract liabilities	(10,000)
Total net liabilities acquired	**(6,916)**

Accounted for as:	
Issued capital	100
Retained earnings	(7,016)
Total	**(6,916)**

30 Earnings per share

Both the basic earnings per share have been calculated using the profit attributable to shareholders of the Company as a numerator, i.e. no adjustments to profits were necessary during the year ended 31 December 2020:

	31 December 2020	**31 December 2019**
Profit used to calculate basic EPS	(60,944)	457,922
Weighted average number of shares used in basic and diluted EPS	190,531,288	32,307,775

	Cents	**Cents**
Basic earnings per share	(0.03)	1.42
Diluted earnings per share	(0.03)	1.42

31 Parent information

Statement of Financial Position	2020 AUD	2019 AUD
Assets		
Current assets	808,100	100
Non-current assets	-	-
Total assets	**808,100**	**100**
Liabilities		
Current liabilities	-	-
Non-current liabilities	-	-
Total liabilities	**-**	**-**
Net assets	**808,100**	**100**
Equity		
Issued capital	808,100	100
Reserves	-	-
Retained earnings	-	-
Total equity	**808,100**	**100**
Statement of Profit or Loss and Other Comprehensive Income		
Total profit/(loss)	-	-
Total comprehensive income	-	-

The parent entity had no contingent liabilities as at 31 December 2020.

The parent entity had no commitments as at 31 December 2020.

32 Group details

The registered office and principle place of business of the Group is:
Suite 511, 434 St Kilda Road
Melbourne VIC 3004

Director’s declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors

Andrew L Smith

Chairman

Dated this 30 day of April 2021

INDEPENDENT AUDITOR'S REPORT

To the Members of Aobo Environmental Technology Limited

Opinion

We have audited the financial report of Aobo Environmental Technology Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed this matter</th></tr>
<tr><td colspan="2">Recognition of Revenue

Refer to Note 5 in the financial statements</td></tr>
<tr><td>Revenue recognition was considered a key audit matter, as it may be complex and involves significant management judgements. These include:

• Determination of the appropriate allocation of multiple-element arrangements, for example where a single transaction combines the delivery products and services of installation.

• determination of when risk and reward have passed to the customer.</td><td>Our audit procedures in relation to the recognition of revenue included:

• Obtaining understanding of management’s controls over revenue recognition

• Assessing whether the Group’s revenue recognition policies were in compliance with Australian Accounting Standards

• Inspection of sales contracts and delivery documentation, and review of the allocation of revenue to various elements in the contracts

• Review of sales transactions before and after year-end to ensure that revenue is recognised in the correct period.</td></tr>
<tr><td colspan="2">Recoverability of Trade Receivables

Refer to Note 10 in the financial statements</td></tr>
<tr><td>Trade receivables and unbilled revenues represent approximately 38% of the gross assets on the balance sheet. The valuation of trade receivables and unbilled revenues is considered a Key Audit Matter because it requires management judgment due to the specific risks associated with each individual trade receivable.

Elements of judgement associated with assessing the valuation of trade receivables include making an assessment of the level of credit risk where receivables have become past due.</td><td>Our audit procedures in relation to the recoverability of trade receivables included:

• Obtaining understanding of management’s controls over credit control and approval

• Assessing the recoverability of debtors by comparing management’s estimate of recoverability of amounts outstanding to historical patterns of receipts.

• Challenging the reasonableness of management’s key assumptions relating to credit risk and recoverability by review of customer correspondence, and comparison to historical patterns of receipt.

• Assessing the appropriateness of the Group’s disclosures relating to credit risk.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2020 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our 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 Australian Auditing Standards 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:
https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf

This description forms part of our auditor's report.

RSM

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in paragraphs a to b or pages 4 to 6 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Aobo Environmental Technology Limited, for the year ended 31 December 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM

RSM AUSTRALIA PARTNERS

Anthony Travers

Anthony Travers
Partner

Sydney, NSW
Dated: 30 April 2021