

Aobo Environmental Technology Limited and its controlled entities

(ACN 633 117 807)

CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2021



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General information

The financial statements cover of Aobo Environmental Technology Limited as a consolidated entity consisting of Aobo Environmental Technology Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Aobo Environmental Technology Limited's functional and presentation currency.

Aobo Environmental Technology Limited is a listed public company limited by shares, incorporated, and domiciled in Australia. Its registered office and principal place of business are:

Registered office and Principal place of business

Suite 511, 434 St Kilda Road
Melbourne VIC 3004

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 13th October 2021.

Directors' Report

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 half-year ended 30 June 2021 and the auditor's report thereon.

Directors

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

Andrew Smith

Zhang Jiangang

Hon. Andrew Thomson

Brendan Connell

Principal activities

The main principal activities include manufacturing and selling of air treatment solutions for industrial applications, and energy storage systems 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 period.

Review of operations

The revenue for the consolidated entity increases approx. 75% to \$7,898,701. The net profit after income tax amounted to \$55,944 (30 June 2020: \$748,205) as a result of increase in expenses. Among that, administrative expenses increased significantly due to its IPO in 2020 and the Company has significantly invested in product R&D for energy storage products in order to provide a competitive edge and

Despite the challenges and uncertainty of the ongoing COVID-19 pandemic, the Company executed on key elements of its strategy. Milestone achieved include:

- Total revenue \$7.9 million for HY2021, a 75% increase from HY2020.
- Growing air treatment business with confirmed orders from Contemporary Amperex Technology Limited (CATL) and Panasonic (Wuxi).
- Pursuing market opportunities in energy storage sector. The Company increased sales of lithium battery energy storage product to key markets such as Australia and UK and made entry into the Middle East and Japanese energy storage market. The Company also explored Chinese market by partnering with solar or new energy companies in PRC.
- Ongoing product development in battery energy storage including commencement of customer trials.
- Moving to the state-of-art manufacturing facility with a total floor area of approx. 21,600 square meters in Wuxi PRC. The new facility increases its manufacturing capacity and enhance its operation efficiency.

Dividends

No dividend has been declared, recommended, or paid relating to the half-year ended 30 June 2021.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the consolidated entity during the half financial year

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 half-year ended 30 June 2021.

This report is made in accordance with a resolution of the directors.

Dated at this 13th October 2021



Zhang Jiangang
Executive Director

RSM Australia Partners

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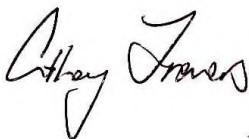
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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Aobo Environmental Technology Limited for the half year ended 30 June 2021, 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 review; and
- (ii) Any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink that reads 'RSM'.**RSM AUSTRALIA PARTNERS**A handwritten signature in black ink that reads 'Anthony Travers'.

Anthony Travers
Partner

Sydney, NSW

Dated: 13 October 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 30 June 2021

		June 2021	June 2020
	Note	AUD	AUD
Sales revenue	4	7,898,701	4,488,896
Cost of sales		(5,663,455)	(2,866,718)
Gross profit		2,235,246	1,622,178
Other income	4	629,218	800,390
Interest income		1,508	13,518
Sales and marketing expenses		(407,873)	(321,574)
Research and development expenses		(732,268)	(245,231)
Administrative expenses		(1,167,332)	(453,290)
Finance costs		(240,497)	(170,273)
Other expenses		(60,654)	(291,430)
Profit before income tax		257,348	954,288
Income tax benefit/(expense)		(201,403)	(206,083)
Profit for the period		55,945	748,205
Other comprehensive income:			
<i>Items that may subsequently be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		423,728	43,611
Total comprehensive income for the period		479,637	791,816
Earnings per share on profit attributable to ordinary equity holders			
Basic earnings per share (cents per share)		0.03	0.39
Diluted earnings per share (cents per share)		0.03	0.39

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

Consolidated Statement of Financial Position

As at 30 June 2021

	Note	June 2021 AUD	December 2020 AUD
Cash and cash equivalents		659,161	630,690
Trade and other receivables	6	11,828,779	9,951,344
Inventories		6,075,039	3,439,586
Other current assets	5	1,673,221	2,193,013
Total current assets		20,236,200	16,214,633
Non-current assets			
Property, plant and equipment	7	8,715,893	6,843,118
Deferred tax assets		155,670	150,873
Land use right		2,703,818	2,619,746
Total non-current assets		11,575,381	9,613,737
Total assets		31,811,581	25,828,370
Current liabilities			
Trade and other payables		9,248,148	9,399,542
Current tax liabilities		177,855	74,996
Other financial liabilities		11,286,835	5,734,762
Total current liabilities		20,712,838	15,209,300
Total liabilities		20,712,838	15,209,300
Net assets		11,098,743	10,619,070
Equity			
Issued capital		808,100	808,100
Reserves		(61,423)	(485,151)
Retained earnings		10,352,066	10,296,121
Total equity		11,098,743	10,619,070

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

Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2021

	*Restated (Note 11)	*Restated (Note 11) Reserves AUD	*Restated (Note 11)	*Restated (Note 11)
	Issued capital AUD		Retained earnings AUD	Total AUD
Balance at 1 January 2020	100	(96,470)	10,357,065	10,260,695
Profit for the period	-	-	748,205	748,205
Other comprehensive income for the period	-	43,611	-	43,611
Total comprehensive income for the period	-	43,611	748,205	791,816
Balance at 30 June 2020	100	(52,859)	11,105,270	11,052,511
Balance at 1 January 2021	808,100	(485,151)	10,296,121	10,619,070
Profit for the period	-	-	55,945	55,945
Other comprehensive income for the period	-	423,728	-	423,728
Total comprehensive income for the period	-	423,728	55,945	479,673
Balance at 30 June 2021	808,100	(61,423)	10,352,066	11,098,743

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

Consolidated Statement of Cash Flows

For the half-year ended 30 June 2021

	June 2021 AUD	June 2020 AUD
Cash flows from operating activities		
Receipts from customers	4,556,360	5,204,751
Payments to suppliers and employees	(5,932,110)	(5,096,320)
Interest received	1,508	13,518
Finance costs	(240,035)	(190,941)
Income tax paid	(95,519)	(47,183)
Net cash provided by (used in) operating activities	(1,709,796)	(116,175)
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,760,302)	(67,920)
Purchase of intangible assets	(816)	-
Proceeds from sale of investments	164,126	-
Net cash provided by (used in) investing activities	(1,596,992)	(67,920)
Cash flows from financing activities		
Proceeds from borrowings	3,675,102	-
Repayment of borrowings	(157,116)	-
Net movement in related party loans	(159,975)	(456,464)
Net cash provided by (used in) financing activities	3,358,011	(456,464)
Net change in cash and cash equivalents held	51,223	(640,559)
Cash and cash equivalents at beginning of the period	640,133	1,232,904
Effect of exchange rates on cash holdings in foreign currencies	(32,195)	(29,509)
Cash and cash equivalents at end of the period	659,161	562,836

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

Notes to the Consolidated financial statements for the half-year ended 30 June 2021

1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

2. 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.

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.

Notes to the consolidated financial statements For the half-year ended 30 June 2021

3. Going Concern

The half-year financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the half-year financial report the consolidated entity generated a profit of \$55,945 (2020: \$748,205) and had net cash outflow from operating activities of \$1,709,796 (2020: \$116,175) for the 6-month period ended 30 June 2021. As at that date the Group had net current liabilities of \$476,638 (2020: net current assets \$1,005,333) and net assets of \$11,098,743 (2020: \$10,619,070).

The Directors believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The Group has prepared detailed budgets and cash flow forecasts to September 2022 which show that the group will continue as a going concern.
- Furthermore, the directors regularly monitor the company's cash position and, on an on-going basis, consider strategic and operational plans to ensure that adequate funding continues to be available for the company to meet its liquidity requirement.
- Current liabilities include a bank loan facility of \$11m which expires within 12 months. The group is confident that the facility will be renewed based on the successful renewal of loan facilities in the past.

Notes to the consolidated financial statements

For the half-year ended 30 June 2021

4. Revenue and Other Income

Revenue and other income consist of the following:

	June 2021 AUD	June 2020 AUD
Operating activities		
<i>Revenue recognised at point in time</i>		
- Sales of goods (stand-alone/installation)	7,898,701	4,472,696
<i>Revenue recognised over time</i>		
- Warranty services	-	16,200
Total revenue	7,898,701	4,488,896
Non-operating activities		
Other income	629,218	800,390
Total other income	629,218	800,390

Included in other income for the half-year ended 30 June 2021 was \$540,456 (RMB2.5 million) received as subsidy from the local government.

5. Other current assets

	June 2021 AUD	December 2020 AUD
Prepayment to suppliers for purchases and services	1,673,221	2,042,073
Other current assets	-	150,940
Total other current assets	1,673,221	2,193,013

6. Trade and Other receivables

	June 2021 AUD	December 2020 AUD
Trade receivables	12,221,465	9,851,074
Provision for expected credit losses	(579,349)	(561,496)
Other receivables		
- Other receivables	186,663	661,766
Total trade and other receivables	11,828,779	9,951,344

Notes to the consolidated financial statements

For the half-year ended 30 June 2021

7. Property, Plant and Equipment

	June 2021 AUD	December 2020 AUD
Machinery and Office Equipment		
At cost	1,320,091	1,182,554
Accumulated depreciation	(740,192)	(675,027)
Total machinery and office equipment	579,899	507,527
Leasehold Improvement		
At cost	-	213,699
Accumulated depreciation	-	(213,699)
Total leasehold improvement	-	-
Motor Vehicles		
At cost	442,763	374,287
Accumulated depreciation	(366,596)	(352,124)
Total motor vehicles	76,167	22,163
Buildings*		
At cost	8,059,827	-
Accumulated depreciation	-	-
Total buildings	8,059,827	-
Construction in Progress*	-	6,313,428
Total property, plant and equipment	8,715,893	6,843,118

*The construction of the new manufacturing facility has been fully completed and operations in the new site have commenced in the half-year ended 30 June 2021.

8. Contingent Liabilities

As at 30 June 2021, 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. (31 December 2020: nil).

Notes to the consolidated financial statements For the half-year ended 30 June 2021

9. Related Party Transactions

Transaction with related parties and key management personnel

	June 2021 AUD	December 2020 AUD
Zhang Jiangang (Executive Director)		
Advances to related party*	(161,648)	(554,422)
Wuxi Aogang New Energy Co., Ltd		
<i>(Director related entity)</i>		
Advances to related party	(3,836,055)	(1,344,306)
Receipts from related party	3,702,306	1,501,842

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

	June 2021 AUD	December 2020 AUD
Zhang Jiangang (Executive Director)		
Payable to related party*	299,499	447,153
Receivable from related party	9,847	-
Wuxi Aogang New Energy Co., Ltd		
<i>(Director related entity)</i>		
Payable to related party	-	149,111
Receivable from related party	20,103	-

*Included in payables to Zhang Jiangang (Executive Director) is \$299,499 (RMB:1,460,000) (2020: \$447,153 (RMB:2,200,000)) 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 the half year period ended 30 June 2021, repayment of \$151,801 (RMB: 740,000) has been made by AETWX to Zhang Jiangang.

Notes to the consolidated financial statements

For the half-year ended 30 June 2021

10. Controlled Entities

	Country of Incorporation	Percentage Owned (%)	
		30 June 2021	31 December 2020
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%
v. Aobo Energy Storage Technology (Wuxi) Co., Limited ("AEST") *	People's Republic of China	60%	-

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

*During the half year period ended 30 June 2021, AENEWX has entered into an agreement with Suzhou Qiang Yi Power Technology Co., Ltd (SQYPT) to form an entity named Aobo Energy Storage Technology (Wuxi) Co., Limited ("AEST"). The main business of AEST will be lithium battery energy storage product R&D and sales. For the half year period, there is no operation in the AEST.

Notes to the consolidated financial statements For the half-year ended 30 June 2021

11. Restatement of comparatives

Correction of error

An error was discovered in the consolidation journals for the group consolidation process in the half year period ended 30 June 2020. As a result, 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 2020 Reported	Adjustment	1 Jan 2020 Restated
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

12. Events After the Reporting Date

There are no other matters or circumstances that have arisen since the end of the half-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.

Director's declaration

- The attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial half-year ended on that date; and
- There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to be 'Zhang Jiangang' in Chinese characters, written in a cursive style.

Zhang Jiangang

Executive Director

Dated this 13th October 2021

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**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
Aobo Environmental Technology Limited**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Aobo Environmental Technology Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Aobo Environmental Technology Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Aobo Environmental Technology Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

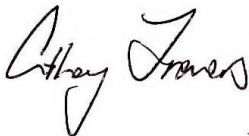
Conclusion

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

- (a) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and
- (b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



RSM AUSTRALIA PARTNERS



Anthony Travers
Partner

Sydney, NSW
Dated: 13 October 2021