

# **Aobo Environmental Technology Limited and its controlled entities**

*(ACN 633 117 807)*

## **CONSOLIDATED FINANCIAL STATEMENTS**

**For the half-year ended 30 June 2022**

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## **General information**

The financial statements cover 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**

31-61 Bent St  
Macedon VIC 3440

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 13<sup>th</sup> January 2023

## 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 2022 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. 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 increased approx. 74% to \$13,763,152. The net loss after income tax amounted to \$199,481 (30 June 2021 profit: \$55,945) as a result of increase in administrative expenses, sales and marketing expenses and finance costs. The increase in sales and marketing expenses was due to increased freight and after-market services. Finance costs increased as a result of increased banking facility.

The challenges and uncertainties arising from COVID-19 continued throughout HY2022. Prices of raw materials in particular lithium-ion batteries continued to increase amid the pandemic uncertainties in HY2022. The rising prices brought a significant impact on the cost of goods sold and profit margin of our lithium-ion batteries energy storage business. As a result, the energy storage business continued to be in a loss position. The Company scaled down the energy storage business operation due to continued loss from this business and dramatic increasing raw material prices.

Despite the challenges, the Company executed on key elements of its strategy. Milestone achieved include:

- Growing the air treatment business with confirmed orders from leading clients in China amid global carbon emission reduction
- Ongoing product development in air treatment products.

### Dividends

No dividend has been declared, recommended, or paid relating to the half-year ended 30 June 2022.

### 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

# Directors' Report

## Events After the Reporting Date

The Group disposed its 51% equity in joint venture Aobo New Energy Power (Wuxi) Co., Limited in September.

The Group has decided to cease the operation of Aobo Energy Storage Technology (Wuxi) Co., Limited and terminated our R&D collaboration with Suzhou Qiangyidian Co., Ltd.

The Group will cease energy Storage System business operation.

The Group has successfully rolled over \$2.2mil existing borrowing at year end and borrowed additional \$4.5mil from banks.

Other than the disclosed, 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

## 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 2022.

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

Dated at this 13th January 2023



**Andrew Smith**  
Chairman

**RSM Australia Partners**

Level 13, 60 Castlereagh Street Sydney NSW 2000

GPO Box 5138 Sydney NSW 2001

T +61 (0) 2 8226 4500

F +61 (0) 2 8226 4501

[www.rsm.com.au](http://www.rsm.com.au)

**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 2022, 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.

RSM AUSTRALIA PARTNERS

**RSM AUSTRALIA PARTNERS**

*Louis Quintal*

**LOUIS QUINTAL**

Partner

Sydney, NSW

Dated: 13 January 2023

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 30 June 2022

		June 2022	June 2021
	Note	AUD	AUD
Sales revenue	4	13,763,152	7,898,701
Cost of sales		(10,935,515)	(5,663,455)
<b>Gross profit</b>		<b>2,827,637</b>	<b>2,235,246</b>
Other income	4	561,113	629,218
Interest income		361	1,508
Sales and marketing expenses		(893,977)	(407,873)
Research and development expenses		(644,382)	(732,268)
Administrative expenses		(1,568,161)	(1,167,332)
Finance costs		(366,674)	(240,497)
Other expenses		-	(60,654)
<b>Profit before income tax</b>		<b>(84,083)</b>	<b>257,348</b>
Income tax expense		(115,398)	(201,403)
<b>(Loss)/Profit for the period</b>		<b>(199,481)</b>	<b>55,945</b>
Other comprehensive income:			
<i>Items that may subsequently be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		13,578	423,728
<b>Total comprehensive (loss)/income for the period</b>		<b>(185,903)</b>	<b>479,637</b>
<b>Earnings per share on (loss)/profit attributable to ordinary equity holders</b>			
Basic earnings per share (cents per share)		(0.10)	0.03
Diluted earnings per share (cents per share)		(0.10)	0.03

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

# Consolidated Statement of Financial Position

As at 30 June 2022

	Note	June 2022 AUD	December 2021 AUD
Cash and cash equivalents		824,932	256,181
Trade and other receivables	6	10,821,270	10,522,481
Inventories		6,392,073	6,272,382
Other current assets	5	4,556,454	1,470,777
Current tax receivables		-	6,947
<b>Total current assets</b>		<b>22,594,729</b>	<b>18,528,768</b>
<b>Non-current assets</b>			
Property, plant and equipment		8,990,615	9,092,949
Deferred tax assets		577,439	665,983
Land use right		2,794,606	2,791,302
<b>Total non-current assets</b>		<b>12,362,660</b>	<b>12,550,234</b>
<b>Total assets</b>		<b>34,957,389</b>	<b>31,079,002</b>
<b>Current liabilities</b>			
Trade and other payables		14,658,313	13,164,628
Current tax liabilities		947	-
Other financial liabilities		12,299,388	9,729,730
<b>Total current liabilities</b>		<b>26,958,648</b>	<b>22,894,358</b>
<b>Total liabilities</b>		<b>26,958,648</b>	<b>22,894,358</b>
<b>Net assets</b>		<b>7,998,741</b>	<b>8,184,644</b>
<b>Equity</b>			
Issued capital		1,728,100	1,728,100
Reserves		614,156	600,578
Retained earnings		5,740,431	5,967,181
Non-controlling interest		(83,946)	(111,215)
<b>Total equity</b>		<b>7,998,741</b>	<b>8,184,644</b>

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 2022

	Issued Capital AUD	Reserves AUD	Retained earnings AUD	Total AUD	Non- controlling AUD	Total equity AUD
<b>Balance at 1 January 2021</b>	808,100	(485,151)	10,296,121	10,619,070	-	10,619,070
Profit for the half-year	-	-	\$55,945	\$55,945	-	\$55,945
Other comprehensive income for the half-year	-	423,728	-	\$423,728	-	\$423,728
<b>Total comprehensive income for the year</b>	<b>808,100</b>	<b>(61,423)</b>	<b>10,352,066</b>	<b>11,098,743</b>	<b>-</b>	<b>\$11,098,743</b>
Issuance of share capital, net of related issuance costs	-	-	-	-	-	-
<b>Transactions with owners in their capacity as owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 30 June 2021</b>	<b>808,100</b>	<b>(61,423)</b>	<b>10,352,066</b>	<b>11,098,743</b>	<b>-</b>	<b>11,098,743</b>
<b>Balance at 1 January 2022</b>	1,728,100	600,578	5,967,181	8,295,859	(111,215)	8,184,644
Profit for the half-year	-	-	(226,750)	(270,113)	27,269	(199,481)
Other comprehensive income for the half-year	-	13,578	-	13,578	-	13,578
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>13,578</b>	<b>(226,750)</b>	<b>(213,127)</b>	<b>27,269</b>	<b>(185,903)</b>
Issuance of share capital, net of related issuance costs	-	-	-	-	-	-
<b>Transactions with owners in their capacity as owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 30 June 2022</b>	<b>1,728,100</b>	<b>614,156</b>	<b>5,740,431</b>	<b>8,082,687</b>	<b>(83,946)</b>	<b>7,998,741</b>

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 2022

	June 2022 AUD	June 2021 AUD
<b>Cash flows from operating activities</b>		
Receipts from customers	16,929,354	4,556,360
Payments to suppliers and employees	(18,576,399)	(5,932,110)
Interest received	364	1,508
Finance costs	-	(240,035)
Income tax paid	(81)	(95,519)
Net cash provided by (used in) operating activities	<b>(1,646,600)</b>	<b>(1,709,796)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(169,748)	(1,760,302)
Purchase of intangible assets	-	(816)
Proceeds from sale of plant and equipment	41,558	-
Proceeds from sale of investments	-	164,126
Net cash provided by (used in) investing activities	<b>(169,748)</b>	<b>(1,596,992)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	2,172,154	3,675,102
Repayment of borrowings	-	(157,116)
Net movement in related party loans	-	(159,975)
Net cash provided by financing activities	<b>2,172,154</b>	<b>3,358,011</b>
Net change in cash and cash equivalents held	397,364	51,223
Cash and cash equivalents at beginning of the period	256,180	640,133
Effect of exchange rates on cash holdings in foreign currencies	171,388	(32,195)
Cash and cash equivalents at end of the period	<b>824,932</b>	<b>659,161</b>

*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 2022**

### **1. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 30 June 2022 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 2021 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 2022**

### **3. Going Concern**

The financial statements have 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 financial statements, the consolidated entity generated a loss of \$199,481 (2021 profit: \$55,945) and had net cash outflow from operating activities of \$1,646,600 (cash outflow 2021: \$1,709,796) for the 6-month period ended 30 June 2022. As at that date the company had net current liabilities of \$4,363,919 (2021: net current liabilities \$4,365,590) and net assets of \$7,998,741 (2021: 8,184,644).

These factors indicate a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- The Group has prepared detailed budgets and cash flow forecasts to January 2024 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 \$12.2mil which expires within the next 12 months. The directors are of the opinion that the facility will be renewed based on the successful renewal of loan facilities in the past.
- If required, the Group has the ability to raise further capital in future based on successful placement in the past.

Accordingly, the Directors 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. As per above there are several factors indicate material uncertainty related to going concern existed.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern

## Notes to the consolidated financial statements For the half-year ended 30 June 2022

### 4. Revenue and Other Income

Revenue and other income consist of the following:

	June 2022 AUD	June 2021 AUD
<b>Operating activities</b>		
<i>Revenue recognised at point in time</i>		
- Sales of goods (stand-alone/installation)	13,763,152	7,898,701
Total revenue	13,763,152	7,898,701
<b>Non-operating activities</b>		
Other income	561,113	629,218
Total other income	561,113	629,218

### 5. Other current assets

	June 2022 AUD	December 2021 AUD
Prepayment to suppliers for purchases and services	4,556,454	1,140,367
Other current assets	-	330,410
Total other current assets	4,556,454	1,470,777

### 6. Trade and Other receivables

	June 2022 AUD	December 2021 AUD
Trade receivables	11,843,779	11,690,698
Provision for expected credit losses	(2,453,377)	(2,420,513)
Other receivables		
- Other receivables	1,430,868	1,252,296
Total trade and other receivables	10,821,270	10,522,481

### 7. Contingent Liabilities

As at 30 June 2022, 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 2021: nil).

## Notes to the consolidated financial statements

### For the half-year ended 30 June 2022

#### 8. Related Party Transactions

##### Transaction with related parties and key management personnel

	June 2022 AUD	December 2021 AUD
<b>Zhang Jiangang (Executive Director)</b>		
Advances to related party	(435,098)	(136,743)
Receipts from related party	1,205,905	-
<b>Wuxi Aogang New Energy Co., Ltd (Director related entity)</b>		
Purchases of goods and services	-	(2,017,500)
Advances to related party	(46,983)	(593,321)
Receipts from related party	31,108	174,737
<b>Hongbao New Energy Technology (Wuxi) Co, Ltd (Director related entities)</b>		
Sale of goods	-	2,089,683
Advances to related party	2,360	-

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 2022 AUD	December 2021 AUD
<b>Zhang Jiangang (Executive Director)</b>		
Payable to related party	345,531	310,410
Receivable from related party	138,375	-
<b>Wuxi Aogang New Energy Co., Ltd (Director related entity)</b>		
Receivable from related party	423,875	438,703
<b>Hongbao New Energy Technology (Wuxi) Co, Ltd (Director related entities)</b>		
Receivables from related party	127,165	118,729

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.

## Notes to the consolidated financial statements

### For the half-year ended 30 June 2021

#### 9. Controlled Entities

	Country of Incorporation	Percentage Owned (%)	
		30 June 2022	31 December 2021
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%	60%
vi. Aobo New Energy Power (Wuxi) Co., Limited ("ANEPWX")	People's Republic of China	51%	51%

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

## **Notes to the consolidated financial statements For the half-year ended 30 June 2022**

### **10. Events After the Reporting Date**

The Group disposed its 51% equity in joint venture Aobo New Energy Power (Wuxi) Co., Limited in September.

The Group has decided to cease the operation of Aobo Energy Storage Technology (Wuxi) Co., Limited and terminated R&D collaboration with Suzhou Qiangyidian Co., Ltd.

The Group will cease energy Storage System business operation.

The Group has successfully rolled over \$2.2mil existing borrowing at year end and borrowed additional \$4.5mil from banks.

Other than the disclosed, 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 2022 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



**Andrew Smith**

Chairman

Dated this 13<sup>th</sup> January 2023



**RSM Australia Partners**

Level 13, 60 Castlereagh Street Sydney NSW 2000

GPO Box 5138 Sydney NSW 2001

T +61 (0) 2 8226 4500

F +61 (0) 2 8226 4501

[www.rsm.com.au](http://www.rsm.com.au)

**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 2022, 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.

*Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the half-year financial report, which indicates that the Group incurred a net loss of \$199,481 during the half-year ended 30 June 2022 and, as of that date, the Group's current liabilities exceeded its current assets by \$4,363,919. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

*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 2022 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 2022 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

**RSM AUSTRALIA PARTNERS**

*Louis Quintal*

**Louis Quintal**  
Partner

Sydney, NSW  
Dated: 13 January 2023