



Aobo Environmental Technology Limited
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Dear Shareholders

Fellow shareholders, year 2021 has been a challenging year for Aobo("the Company"), a period where the Company continued to respond and adapt to the challenges resulting from COVID-19 and other economic pressures. While countries and governments have adopted various policies and measures to combat COVID-19, the pandemic has continued to surge causing the global economy to recover at a slow pace.

On behalf of the Board and all our people, I thank our customers for their business and you our shareholders, for your faith and support.

Despite the disruptions and challenges, the Company achieved revenue of AUD19.5 million in 2021, up 143.3% on the previous year.

However, the net loss for the year ended 31 December 2021 was AUD4.4 million, up AUD4.3 million from last year. The loss was primarily due to provision of doubtful debts for accounts receivable and a trading loss in our Energy Storage System (ESS) business.

The ESS business has made certain achievements since its establishment, but it is still in the early stages of development and faces many challenges and importantly requires significant capital to grow.

The Company has witnessed raw material costs in particular lithium batteries and chips, and shipping fee reached an all time high amid the pandemic uncertainties in the year. This had a material negative impact on the Company's working capital and ESS profitability.

The Company forecast that the prices of raw materials for ESS will remain high. The ESS business has been in a loss position continuously since 2020, which has not only affected the Company's overall profitability but also has exacerbated the Company's capital crunch.

The Company has tried to replenish the capital through various channels, including bank loans which have increased significantly, but it still cannot meet the capital demand of ESS business operation.

The Company's capital situation cannot cope with operating both the air treatment and ESS business concurrently. Further, the energy storage is a tech intensive industry. Because of the tighten cash flow, the Company cannot continue to invest in ESS R&D.

In order to reduce the Company's further losses and improve the Company's cash flow and profitability, the Board of directors has decided to cease ESS business operation. The Cessation is expected to take effect before the end of November 2022.

The termination will have a significant adverse impact on its revenue in future.

After cessation, the Company will focus on its core business of air treatment to enhance long-term sustainability and shareholder value.

The Company is optimistic of a turnaround in profitability in the near future assuming a more stable and normalised business environment, increased customer demand for air treatment products and the Company's long-standing competitive strengths in this sector.

Again, I would like to thank and acknowledge the efforts of the management and the staff who have been committed to the past challenging year.

On behalf of the Board, I would like to thank our shareholders for their patience and continued support for Aobo.

A handwritten signature in black ink, appearing to read 'Andrew Smith', written in a cursive style.

Andrew Smith
Chairman
Aobo Environmental Technology Limited