

Multistack International Ltd
ABN: 54 007 254 346
And Controlled Entities

FINANCIAL REPORT
For the Half-Year ended 30 June 2023

This half-year financial report is to be read in
conjunction with the financial report for the
year ended 31 DECEMBER 2022

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Directors' Report

The Directors present their report together with the condensed financial report of the Group, consisting of Multistack International Ltd ("the Company") and its controlled entities, for the half-year ended 30 June 2023 and the Independent Auditor's review report thereon. This financial report has been prepared in accordance with Australian Accounting Standard AASB:134 *Interim Financial Reporting*.

Directors

The names of the Directors in office at any time during or since the end of the half-year are:

Name	Period of directorship
Mr Allan Yu (Chairman / Non-executive Director)	Director since 16 February 2004
Mr Stephen Leung (Chief Executive Officer)	Director since 10 October 1991
Mr Siu Wai Yan (Executive Director)	Director since 10 October 1991
Ms Yim Ni Chan (Executive Director)	Director since 26 November 2002
Mr Terence Chu (Non-executive Director)	Director since 19 March 1999

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of operations

	January – June 2023 A\$	January - June 2022 A\$
Revenue from ordinary activities	1,467,236	424,628
Operating loss before tax	(502,188)	(717,410)

The Group has made a loss of \$502,188 before tax (2022: loss of \$717,410). The revenue was up to \$1,467,236 from \$424,628.

The trading entity Multistack Australia Pty Ltd has incurred a small loss for the six months ending 30 June 2023. The order for 4 modules of Multistack Oil free Flooded Air Cooled chillers for revenue of over a million dollars was delivered in February 2023 and another order for 15 modules of water-cooled scroll chillers was delivered in May 2023, these are encouraging orders in the recent years.

The Company is positive to receiving future orders for modular and oil free chillers when the general economy in the country continues to recover gradually. The Company believes that the significant oil free chiller project will become a favourable show-case to the market for us, as these chillers are using one of the latest developments of most environmental-friendly refrigerant in the industry. The Company is also working on a new series of oil free machine to cope with the data center industry. A strong competitor has been doing well in this market segment and the Company believes that we can make good product of this kind using our experience and know-how of the computer room air-conditioning unit.

There has not been much progress with the ORC technology, as new technology development would require more funding for Research & Development, nevertheless, the Company is continuing to promote and market the existing ORC products. On the other hand, the Company has been receiving enquiries from overseas for the retrofits or parts replacement for the ORC units that have been supplied years ago, indicating that the old ORC units supplied to the market are still in operation and they are considering parts or machine replacement. The Directors believe that the ORC products are in line with the carbon reduction program in Australia as well as the rest of the world.

Concurrently, the Company has a view of using the ORC product as a supplementary tool for the solar panel system. Solar panel system has become one of the most popular methods to convert solar energy to electricity, however it is subject to the weather and sometimes not reliable enough as expected by end users. An ORC system will be a good complement to the solar system for a much more stable supply to the end users. The Company has made contacts with the industry to find out the cost and benefit of this concept. The Company will study the research reports and make a conclusion after the investigation.

For the technology development, the Company has kept close dialogues with Mr. Ron Conry, the inventor of the Multistack modular chiller and the ORC machines, about developing the second generations of these products to meet the industry requirements in terms of environmental friendly and low carbon emission standards. There are a few good ideas in our drawing board for these goals. Once a conclusion is reached, the Company will disclose the details to the market about future plans and forecast.

Significant Changes in State of Affairs

There have been no other significant changes in the consolidated group's state of affairs for the half year ended 30 June 2023.

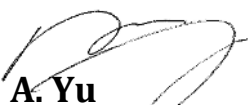
Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the Directors' report and in the financial report have been rounded to the nearest dollar (where indicated).

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* in relation to the review for the half-year is provided with this report.

Signed in accordance with a resolution of the Board of Directors.



A. Yu
Chairman

Melbourne, 18 August 2023

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF MULTISTACK INTERNATIONAL LIMITED

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2023 there has been:

- a. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- b. no contraventions of any applicable code of professional conduct in relation to the review.



**Nexia Melbourne Audit Pty Ltd
Melbourne**



**Richard S. Cen
Director**

Dated this 18th day of August 2023

Advisory. Tax. Audit.

Registered Audit Company 291969

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**Condensed Consolidated Statement of Profit or Loss and
Other Comprehensive Income
For the Half-Year Ended 30 June 2023**

	Half-year	
	30 June 2023	30 June 2022
	\$	\$
Continuing Operations		
Sale of goods	1,467,236	411,060
Total Revenue	1,467,236	411,060
Cost of sales	1,176,562	178,291
Gross Profit	290,674	232,769
Other Income	3	13,568
Employee benefits expenses	(176,922)	(174,356)
Administrative expenses	(381,509)	(366,932)
Professional fees	(37,900)	(36,050)
Foreign currency losses	(85,059)	(186,920)
Unrealised loss on portfolio	-	(102,921)
Other expenses	(111,475)	(96,568)
Total Expenses	(792,865)	(963,747)
(Loss) before income tax	(502,188)	(717,410)
Net (Loss) attributable to members of the parent entity	(502,188)	(717,410)
Total Comprehensive (Loss) attributable to:		
Members of the parent	(502,188)	(717,410)
	(502,188)	(717,410)
Basic and Diluted (Loss) per share	\$(0.0037)	\$(0.0053)

The accompanying notes form part of these financial statements

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	30 June 2023 \$	31 Dec 2022 \$
Current assets		
Cash and cash equivalents	1,018,510	1,470,062
Trade and other receivables	17,098	324
Inventories	270,667	951,810
Deposit / Bond for property	17,612	17,612
Total current assets	1,323,887	2,439,808
Non-current assets		
Intangible assets	2,478,134	2,478,134
Right-of-use assets	85,997	128,997
Total non-current assets	2,564,131	2,607,131
Total assets	3,888,018	5,046,939
Current liabilities		
Trade and other payables	1,998,911	2,679,550
Lease liabilities	92,178	88,992
Loan from A.C.R. Equipment (HK) Limited	696,000	696,000
Provisions	166,819	157,541
Total current liabilities	2,953,908	3,622,083
Non-current liabilities		
Loan from Super Link Company Limited	2,714,933	2,656,827
Lease liability	-	46,664
Provisions	7,660	7,660
Total non-current liabilities	2,722,593	2,711,151
Total liabilities	5,676,501	6,333,234
Net liabilities	(1,788,483)	(1,286,295)
Equity		
Contributed equity	156,838,695	156,838,695
Accumulated losses	(158,627,178)	(158,124,990)
Capital deficiency	(1,788,483)	(1,286,295)

The accompanying notes form part of these financial statements

Condensed Consolidated Statement of Changes in Equity For the Half-Year ended 30 June 2023

CONSOLIDATED	Attributable to equity holders of the parent entity		
	Contributed equity	Accumulated Losses	Total
	\$	\$	\$
At 1 January 2022	156,838,695	(156,292,620)	546,075
Loss for the period	-	(717,410)	(717,410)
Total comprehensive loss for the half-year	-	(717,410)	(717,410)
At 30 June 2022	156,838,695	(157,010,030)	(171,335)

CONSOLIDATED	Attributable to equity holders of the parent entity		
	Contributed equity	Accumulated Losses	Total
	\$	\$	\$
At 1 January 2023	156,838,695	(158,124,990)	(1,286,295)
Loss for the period	-	(502,188)	(502,188)
Total comprehensive loss for the half-year	-	(502,188)	(502,188)
At 30 June 2023	156,838,695	(158,627,178)	(1,788,483)

The accompanying notes form part of these financial statements

Condensed Consolidated Statement of Cash Flows

For the Half-Year ended 30 June 2023

	Half-year	
	2023	2022
	\$	\$
Cash flows from operating activities		
Receipts from customers	1,597,623	463,531
Payments to suppliers and employees	(2,002,949)	(636,369)
Dividends received	-	13,563
Finance costs	-	-
Net cash used in operating activities	(405,326)	(159,275)
Cash flows from financing activities		
Repayments of lease liabilities	(46,226)	(45,320)
Net cash used in financing activities	(46,226)	(45,320)
Net increase/(decrease) in cash and cash equivalents	(451,552)	(204,595)
Cash and cash equivalents at beginning of period	1,470,062	1,334,547
Cash and cash equivalents at end of period	1,018,510	1,129,952

The accompanying notes form part of these financial statements

Notes to the Half-Year Financial Statements 30 June 2023

1. Basis of Preparation of the Half-Year Financial Report

This Condensed Consolidated half-year financial report does not include all the notes of the type usually included within the annual financial report.

It is recommended that this half-year financial report be read in conjunction with the financial report for the year ended 31 December 2022 and any public announcements made by Multistack International Ltd during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*. Multistack International Ltd is a for-profit entity for the purpose of preparing the financial statements.

This condensed half-year financial report covers Multistack International Limited and its controlled entities as a consolidated entity. Multistack International Limited is a company limited by shares, incorporated and domiciled in Australia. The address of Multistack International Limited's registered office and principal place of business is 17 Friars Road, Moorabbin, Victoria, 3189.

The half year financial report was authorised for issue by the Directors as at the date of the Directors' report.

(a) Basis of preparation of the Half-Year Financial Report

This Condensed Consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, as appropriate for for-profit entities, and the *Corporation Act 2001*. Compliance with AASB 134 as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies. Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

The accounting policies applied in this half year financial report are consistent with those of the annual financial report for the year ended 31 December 2022.

(b) Principles of Consolidation

The consolidated financial statements are those of the Consolidated Entity, comprising the financial statements of the parent entity and of all entities, which Multistack International Limited controlled from time to time during the year and at balance date.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. All intercompany balances and transactions, including any unrealised profits, or losses have been eliminated on consolidation.

(c) Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial / Directors' Report) Instrument 2016/191*, the amounts in these half year directors' and financial reports have been rounded to the nearest dollar.

Notes to the Half-Year Financial Statements (continued)

(d) Going Concern

The financial report has been prepared on a going concern basis.

The Group recorded a loss from continuing operations for the half year ended 30 June 2023 of \$502,188 (2022: loss of \$717,410) and reported net cash outflows from operating activities of \$405,326 (2022: outflows of \$159,275).

The Group has a deficiency of working capital of \$1,630,021 (2022: deficiency \$743,813) and a deficiency of net tangible assets of \$4,260,436 (2022: deficiency \$3,278,450).

The trading entity Multistack Australia Pty Ltd has incurred a small loss for the six months ending 30 June 2023. The rising material costs and shipping costs have affected our margin.

There has not been much progress with the ORC technology, as new technology development would require more funding for Research & Development, nevertheless, the Company is continuing to promote and market the existing ORC products. The Company acknowledged that it took longer than we thought to find out the right approach.

The above matters and other matters highlighted in the financial report give rise to concerns regarding the appropriateness of the going concern assumption in the preparation of the financial report, however the Directors continue to believe the going concern basis is appropriate having regard to the following matters.

As at 30 June 2023, the Group has deficiency in net assets of \$1,788,483, which includes a current liability of HKD 7,040,000 (AUD \$1,355,123) to Welletin Investments Ltd, a Director related entity, and a further unsecured loan of AUD \$696,000 to A.C.R. Equipment (HK) Limited, another Director related entity. The Group has obtained a letter of undertaking from both related entities confirming that they will not call upon the amounts payable by the Group, for at least 12 months from the date of signing the Group's financial report for the half year ended 30 June 2023.

On 15 June 2020, the Company announced that it had agreed to enter into a loan agreement with Super Link Company Limited, in connection with the acquisition of the assets of Verdicorp, Inc. At AGM on 12 May 2023, resolutions for approval to grant security over ORC technology and approval to grant and exercise option under Asset Sale Deed to Superlink Company Limited were both carried and granted.

The Company advised that on 16 August 2023 it entered into extensions of the Agreements with Super Link, extending the term of the Loan Agreement and the sunset date for the Asset Sale Deed until 30 November 2024. All other terms of the Agreements remain the same following the Variations.

On the basis of these undertakings of financial support, the Directors are satisfied that the going concern basis remains appropriate, and accordingly have prepared the financial report on a going concern basis.

The going concern basis assumes the realisation of assets and settlement of liabilities in the ordinary course of business, and on this basis no adjustments have been made to the financial report relating to recoverability and classification of the carrying amount of assets, and the extent and classification of liabilities that might be necessary, should the Group not continue as a going concern.

Should the Group in the future not be able to continue as a going concern, it may therefore be required to realise assets, and extinguish liabilities, other than in the normal course of business, with the amounts realised being significantly different from those shown in the financial report.

(e) New Accounting Standards Issued But Not Yet Effective

The Group has considered the new accounting standards and interpretations that could have a significant impact on the financial statements and have concluded that the new standards do not materially impact the financial statements of the Group.

(f) Fair Value Measurements

All financial assets are measured at fair value on a recurring basis. The financial assets have been measured at Level 1 of the fair value hierarchy as the instruments have quoted market prices. The financial assets are classified at fair value through profit or loss. Due to their short-term nature, the carrying amounts of all other financial instruments are reasonable approximations of their fair values.

(g) Separately acquired intangible assets

Except for indefinite useful life intangible assets, which are not amortised but are tested annually for impairment, separately acquired intangible assets are recognised at cost and amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset. Subsequent to initial recognition, separately acquired intangible assets are measured at cost, less accumulated amortisation (where applicable) and any accumulated impairment losses.

2. Significant items

During the first half year in 2023 the Group is continuing to work on its strategy in connection with the marketing and selling its ORC products in Australia and overseas, however, this is taking longer than expected.

3. Dividends Paid or provided for on Ordinary Shares

The Directors have not declared a dividend in either of the current or the previous corresponding periods.

4. Contingent Assets and Liabilities

Since the last annual reporting date, there has been no material change to any contingent assets or liabilities.

5. Segment Information

(a) Description of segments

The consolidated entity has two reportable segments as described below:

Segment 1: Primary business and geographical segment being the heating, ventilation and air conditioning (HVAC) industry throughout Australia. The major operations comprise the sale and service of Multistack water and air cooled water chillers used in commercial air-conditioning and process cooling applications.

Segment 2: Passive investment operations through wholly owned subsidiary – Option King Ltd.

The investment with Bank of Singapore was liquidated in September 2022, proceeds from investment are cash in hand held at HSBC bank in Hong Kong. All operating segments have been identified based on internal reports reviewed by the Consolidated Entity's chief executive officer in order to allocate resources to the segment and assess its performance.

(b) Segment information

The Consolidated Entity's chief executive officer uses segment revenue, segment result, segment assets and segment liabilities to assess each operating segment's financial performance and position. Amounts reported for each operating segment are the same amount recorded in the internal reports to the chief executive officer. Amounts of segment information are measured in the same way in the financial statements. They include items directly attributable to the segment and those that can reasonably be allocated to the segment based on the operations of the segment. There is no Inter-segment revenue. Segment information is reconciled to financial statements and underlying profit disclosure notes if provided elsewhere where these amounts differ.

30 June 2023	Segment 1	Segment 2	Total
	\$	\$	\$
Segment revenue from external source	1,467,223	16	1,467,239
Segment result from external source	(502,031)	(157)	(502,188)
Total segment assets	3,261,633	626,385	3,888,018
Total segment liabilities	(5,676,501)	-	(5,676,501)
30 June 2022			
Segment revenue from external source	411,060	13,568	424,628
Segment result from external source	(627,139)	(90,271)	(717,410)
Total segment assets	4,604,510	614,906	5,219,416
Total segment liabilities	(5,390,751)	-	(5,390,751)

6. Subsequent Events

There has been no matter or circumstance, which has arisen since 30 June 2023 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2023, of the Consolidated Entity, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2023, of the Consolidated Entity.

Directors' Declaration

30 June 2023

The Directors declare that in the directors' opinion, the financial statements and notes set out on pages 4 to 11 are in accordance with the *Corporations Act 2001* including

- (a) Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and
- (b) Giving a true and fair view of the financial position of the consolidated entity as at 30 June 2023 and of its performance for the half-year ended on that date.

In the Directors' opinion there are reasonable grounds at the date of this declaration, to believe that the Group will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board



A. Yu
Chairman

Melbourne
18 August 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Multistack International Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Multistack International Limited ("the Company") and its controlled entities ("the Group"), which comprises the Consolidated Statement of Financial Position as at 30 June 2023, the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and 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.

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 Multistack International Limited does not comply with the *Corporations Act 2001* including:

- i) giving a true and fair view of Multistack International Limited's financial position as at 30 June 2023 and of its performance for the half-year ended on that date; and
- iii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty related to going concern

Without modifying our conclusion expressed above, we draw attention to Note 1 (d) in the half-year financial report, which indicates that the Group incurred a loss from continuing operations for the half year ended 30 June 2023 of \$502,188 (2022: loss of \$717,410) and reported net cash outflows from operating activities of \$405,326 (2022 outflows of \$159,275). The Group has a deficiency of working capital of \$1,630,021 (2022 deficiency of \$743,813) and a deficiency of net tangible assets of \$4,260,436 (2022: deficiency \$3,278,450)

These conditions, along with the other matters set forth in Note 1 (d) in the half-year financial report indicate the existence of a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual 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* has been given to the directors of the Group, as at the date of this auditor's review report.

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Registered Audit Company 291969

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Responsibility of the Directors for the Financial Report

The directors of the Group 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 30 June 2023 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*.

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.



**Nexia Melbourne Audit Pty Ltd
Melbourne**

Dated this 18th day of August 2023



**Richard S. Cen
Director**