

**MULTISTACK INTERNATIONAL LIMITED  
AND CONTROLLED ENTITIES**

**ABN: 54 007 254 346**

**CONSOLIDATED FINANCIAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN: 54 007 254 346

## DIRECTORS

A. Yu (Chairman and Non-executive Director)  
S. Leung (Chief Executive Officer)  
S. Yan (Executive Director)  
N. Chan (Executive Director)  
T. Chu (Non-executive Director)

## COMPANY SECRETARY

Y. Wong

## REGISTERED OFFICE

17 Friars Road  
Moorabbin, Victoria 3189  
Australia  
Tel: 61-3-8586-8200  
Fax: 61-3-8586-8201

## SOLICITORS

Minter Ellison

## PRINCIPAL BANKERS

National Australia Bank Limited

## SHARE REGISTER

Computershare Investor Services Pty Limited  
GPO Box 2975, Melbourne, Vic 3001  
Phone: 1300 850 505

## AUDITORS

Nexia Melbourne Audit Pty Ltd

## STOCK EXCHANGE

The company is listed on the Australian Securities Exchange. The home exchange is Melbourne.

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# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN: 54 007 254 346

## DIRECTORS' REPORT

The Directors present their report with the financial report of Multistack International Limited ("Company") and the consolidated financial report of the Group, being the Company and its controlled entities ("Group"), for the year ended 31 December 2021 and auditor's report thereon.

### DIRECTORS

The names and details of the Directors of the company in office during the financial year and until the date of this report, including the qualifications, experience and special responsibilities of each person are provided below, together with details of the company secretary.

Mr. A. Yu	Chairman and Non-executive and Independent Director Member of Audit Committee and Remuneration Committee A graduate in Accountancy from Hong Kong Polytechnic University, Mr. Yu is a senior consultant of a CPA firm based in Hong Kong with a multi-national client base. His expertise is in mergers and acquisitions particularly in multi-national courier and air-cargo businesses. Mr Yu was appointed as a member of the Board on 16 February 2004 and was elected as Chairman of the Board on 23 May 2013.
Mr. S. Leung	Chief Executive Officer and Executive Director Member of Nomination Committee A graduate in Electrical Engineering (Hong Kong Polytechnic), Mr. Leung was a co-founder of the Super Link Group. He has built up substantial manufacturing and distribution resources in the People's Republic of China since 1981. Mr Leung was appointed as a member of the Board on 10 October 1991 and has been Chief Executive Officer since 1997.
Mr. S. Yan	Executive Director Member of Nomination Committee A graduate in Production Engineering, Master of Industrial Engineering (Hong Kong Polytechnic University) and a member of the American Institute of Industrial Engineers, Mr. Yan was a co-founder of the Super Link Group. He has over 30 years' experience in manufacturing and marketing industrial air conditioning products in the People's Republic of China. Mr Yan was appointed as a member of the Board on 10 October 1991 and was Chairman between August 1999 and May 2004.
Ms. N. Chan	Executive Director Bachelor of Business (Swinburne University of Technology), Graduate Diploma in Business Systems (RMIT). Ms Chan has substantial experience in the banking industry. She currently oversees all administration for the Multistack Chiller Division in Australia. Ms Chan was appointed as a member of the Board on 26 November 2002.
Mr. T. Chu	Non-executive and Independent Director Member of Audit Committee and Remuneration Committee Bachelor of Laws (University of London), Master of Laws (City University of Hong Kong), Mr. Chu is a solicitor admitted in England and Wales, Hong Kong, Australian Capital Territory and Singapore. Mr. Chu was appointed as a member of the Board on 19 March 1999 and was Chairman of the Board from 17 May 2004 to 23 May 2013.

Directors were in office from the beginning of the financial year until the date of this report, unless otherwise stated.

### COMPANY SECRETARY

Ms Y. Wong	Chief Financial Officer and Company Secretary Bachelor of Business (Victoria University of Technology) and Masters in Finance (RMIT). Ms Wong is a CPA and has prior experience in the banking industry. Ms Wong was appointed Company Secretary on 13 September 2002.
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### INTERESTS IN THE SHARES OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the Directors in the shares of the Company and related bodies corporate were:

	Multistack International Ltd.	
	Ordinary shares	
A. Yu	-	
S. Leung	28,405,454	
S. Yan	34,567,498	
N. Chan	20,000	
T. Chu	-	

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN: 54 007 254 346

## DIRECTORS' REPORT - CONTINUED

### PRINCIPAL ACTIVITIES

The principal activities during the year of entities within the Group were:

- marketing of industrial air conditioning equipment, primarily in Australia;
- distribution of Multistack water-cooled and air-cooled water chillers;
- marketing and distribution of Organic Rankine Cycle (ORC) technologies and products, and
- distribution of heat exchangers.

### RESULTS, EARNINGS PER SHARE AND DIVIDENDS

Total revenue in 2021 increased by 7.16% to \$643,851. Revenue from Other Income has decreased to loss of \$146,326, due to foreign currency loss and cessation of government grants. The net loss for the period attributable to members was \$1,132,977 (2020: \$368,316).

Basic earnings per share for continuing operations was (loss \$0.0083) (2020: loss \$0.0033).

### DIVIDENDS

No dividend has been declared or recommended for the financial year ended 31 December 2021, (2020: nil).

### REVIEW OF OPERATIONS

	Jan - Dec 2021	Jan - Dec 2020
	A\$	A\$
Total revenue	643,851	600,819
Total comprehensive (loss) after tax attributable to members	(1,132,977)	(368,316)

The trading entity, Multistack Australia Pty Ltd, has incurred losses before income tax for the year ending 31 December 2021 of \$473,952 (2020: \$457,031).

The outbreak of COVID-19 and its variations have been threatening the lives of human beings around the world as well as affecting the global economies in two consecutive years. Due to the various restrictions and health concerns in the country, sales activities have not improved much and the cost of material and transportation was geared up to an unbelievable level. With all these impacts it was hard for our agents to sell many of our air-conditioning equipment. In fact we have to thank them for their effort to try, at least to keep the ball rolling with a marginal increase in our revenue. However we were more optimistic about the launch of the ORC power generation business in the market, after our acquisition of the Verdicorp assets in June 2020, which would allow us to develop the ORC equipment in line with the carbon reduction program of the country.

There was a learning curve for the Group to pick up the ORC technology and turn it into marketing and selling these ORC products in Australia as well as to the rest of the world. As reported in the last annual report the Company has been in negotiations with various interested parties for local and overseas distribution rights in their regions. Given the current pandemic environment, these negotiations may still take longer than expected, but the Directors trust that this will be no doubt the right direction because global warming is always a big issue threatening human generations around the world. The United Nations have made further warnings and urged all country leaders to take actions to reduce carbon emission without delay. This was a positive signal for promoting our ORC units and we were glad that we received increasing amount of enquiries from customers in different areas who showed their interest in our equipment.

On 19 November 2021, Multistack International Limited (ASX:MSI) announced that the Group has completed the issue of new shares to a Hong Kong based company for \$1.20 million which has given the Group a viable cash flow for the development projects of the ORC product.

The MSI Board has good faith in our ORC technology and believes that it has great future growth potential. We are currently in negotiations with talented people about the development of new ORC concepts. We shall expect to see results in the coming year for practical progress in this direction. The board will expect that these new development projects will bring more value to the Company than its current carrying value of the book records.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes during the financial year. As mentioned above, the Company is continuing to commercialise the ORC technology and its products, also in negotiations with various interested parties for local and overseas distribution rights in their regions. The Group believes the COVID-19 pandemic may continue to affect both the Company as well as the overall economy, in terms of sales and various sales activities.

### SHARE OPTIONS

No options over un-issued shares or interests in the Company were issued during or since the end of the financial period and there were no options outstanding at the end of the financial year.

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN: 54 007 254 346

## DIRECTORS' REPORT - CONTINUED

### DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

#### REMUNERATION REPORT (AUDITED)

The directors present the Group's 2021 remuneration report which details the remuneration information for Multistack International Limited's executive directors, non-executive directors and other key management personnel.

#### Details of Key management personnel:

<b>Directors</b>	<b>Period of Responsibility</b>	<b>Position</b>
A. Yu	Appointed 16 February 2004	Chairman - Non-Executive
S. Leung	Appointed 10 October 1991	Director & Chief Executive Officer
S. Yan	Appointed 10 October 1991	Director - Executive
N. Chan	Appointed 26 November 2002	Director - Executive
T. Chu	Appointed 19 March 1999	Director - Non-Executive
<b>Executives</b>	<b>Period of Responsibility</b>	<b>Position</b>
Y. Wong	Appointed 13 September 2002	Company Secretary

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for Directors and the Chief Executive Officer. There is no formal Board policy in place and the key management personnel are contracted to ongoing employment contracts with Notice Periods of 4 weeks and no termination payments provided for under the contracts. The Remuneration Committee determines and reviews compensation of the executive team by assessing the appropriateness of the nature and amount of emoluments of such officers by reference to relevant market conditions and the capacity to pay. There has been no bonus payments made to directors or other key management personnel. Further salaries for the key management personnel have remained the same or been adjusted in the current period due to CPI% increase only.

The Remuneration Committee did not meet during the year as no issue had arisen in the respective field during the relevant period.

#### *Compensation Policy*

The Remuneration Committee is responsible for determining and reviewing compensation arrangements for Directors, the Chief Executive Officer and all other key management personnel. The Board determines and reviews compensation of the executive team by assessing the appropriateness of the nature and amount of compensation of key management personnel by reference to relevant employment and market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The Group has not utilised the services of a Remuneration Consultant during the year or up to the date of this report.

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

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## DIRECTORS' REPORT - CONTINUED

### REMUNERATION REPORT- CONTINUED

Details of the nature and amount of each element of the emolument of each key management personnel of the company and the controlled entities for the financial year are as follows.

<b>2021 Remuneration</b>				
	<u>Short term benefits</u>		<u>Post employment benefits</u>	
	<u>Salary fees</u>	<u>Non-cash benefits</u>	<u>Superannuation</u>	<u>Total</u>
A. Yu	-	-	-	-
S. Leung *	\$75,366	-	-	\$75,366
S. Yan *	\$75,366	-	-	\$75,366
N. Chan	\$90,500	\$18,200	\$12,218	\$120,918
T. Chu	-	-	-	-
Y. Wong	\$90,500	\$18,200	\$12,218	\$120,918
<b>Total</b>	<b>\$331,732</b>	<b>\$36,400</b>	<b>\$24,436</b>	<b>\$392,568</b>

<b>2020 Remuneration</b>				
	<u>Short term benefits</u>		<u>Post employment benefits</u>	
	<u>Salary fees</u>	<u>Non-cash benefits</u>	<u>Superannuation</u>	<u>Total</u>
A. Yu	-	-	-	-
S. Leung *	\$81,482	-	-	\$81,482
S. Yan *	\$81,482	-	-	\$81,482
N. Chan	\$90,500	\$18,200	\$12,218	\$120,918
T. Chu	-	-	-	-
Y. Wong	\$90,500	\$18,200	\$12,218	\$120,918
<b>Total</b>	<b>\$343,964</b>	<b>\$36,400</b>	<b>\$24,436</b>	<b>\$404,800</b>

\*Converted to AUD at HKD 5.8382 (2020: HKD 5.40)

### Consequences of Group's performance on shareholder wealth

The following table summarises company performance and key performance indicators:

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Revenue	\$643,851	\$600,819	\$560,067	\$713,477	\$1,321,582
% increase/(decrease) in revenue	7.16%	7.28%	(21.50%)	(46.01%)	61.37%
Profit/(loss) before tax	(\$1,132,977)	(\$368,316)	(\$902,355)	(\$941,290)	(\$310,437)
% increase/(decrease) in profit/loss before tax	207.61%	(59.18%)	(4.14%)	203.21%	(56.49%)
Change in share price %	-%	-%	-%	-%	-%
Total remuneration of KMP	\$392,568	\$404,800	\$409,362	\$392,168	\$385,358
Total performance based remuneration	\$-	\$-	\$-	\$-	\$-

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

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## DIRECTORS' REPORT - CONTINUED

### REMUNERATION REPORT- CONTINUED

Employee benefits are not performance based.

Payment of emoluments to Messrs. Leung and Yan are made in Hong Kong dollars. Messrs. Leung and Yan have continued to agree to receiving only 50% of their entitled emoluments (in Hong Kong dollars) for the 2021 year, waiving the final 50% of their emoluments. Amount owing has been accrued but not paid for in the last 6 years from 2016 to 2021.

No options or bonus payments have been granted to any Directors.

At the company's most recent AGM, the adoption of Remuneration Report was voted as 'Carried'. No further comments were made on the remuneration report at the AGM.

### Key management personnel's equity holdings

Ordinary shares	Balance 1 January 2021	Acquired / transferred	Sold	Balance 31 December 2021
<b>Directors</b>				
A Yu	-	-	-	-
S. Leung	28,405,454	-	-	28,405,454
S. Yan	34,567,498	-	-	34,567,498
N. Chan	20,000	-	-	20,000
T. Chu	-	-	-	-
Y Wong	-	-	-	-

Ordinary shares	Balance 1 January 2020	Acquired / transferred	Sold	Balance 31 December 2020
<b>Directors</b>				
A Yu	-	-	-	-
S. Leung	28,405,454	-	-	28,405,454
S. Yan	34,567,498	-	-	34,567,498
N. Chan	20,000	-	-	20,000
T. Chu	-	-	-	-
Y Wong	-	-	-	-

### Other transactions and balances with key management personnel

Management services provided by Welletin Investment Ltd. (a related party of S. Yan and S. Leung) to Multistack International Limited and its controlled entities were on normal commercial terms and conditions. The aggregate service fees for the year was \$150,732 (2020: \$169,963). At the year-end total management fees payable was \$933,126 (2020: \$736,932).

Multistack International Limited and its controlled entities purchased inventory from Super Link Company Ltd (a related party of S. Yan and S. Leung) on normal commercial terms and conditions. The aggregate purchases for the year were \$225,672 (2020: \$411,067). At year-end total payable was \$104,095 (2020: \$370,815).

Freight expenses and some other expenses were paid for by ACR Equipment (HK) Ltd (a related party of S. Yan and S. Leung) on behalf of Multistack International Limited and its controlled entities, these were on normal commercial terms and conditions. The aggregate expenses for the year was \$62,607 (2020: \$44,266). At year-end total payable was \$804,874 (2020: \$356,700), of which \$696,000 (2020: \$286,000) was a loan provided to Multistack Australia Pty Ltd and the balance relates to freight and other expenses.

In June 2020, the Group purchased the assets of Verdicorp, Inc., and in order to fund the Verdicorp acquisition, the Group has entered into a loan agreement for US\$1,800,000 (A\$2,480,706) with Super Link Company Limited (a related party of S. Yan and S. Leung) and interest payable of US\$135,000 (A\$186,053).

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN: 54 007 254 346

## DIRECTORS' REPORT - CONTINUED

### *Transactions with director related entities*

Messrs. Leung and Yan through their related entities provide management support and inventory purchases to Multistack International Limited and Multistack Australia Limited as follows:

Directors and related entities	Transaction	Expenditure		Balance (Payable)	
		31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Welletin Investment Ltd	Management	\$150,732	\$162,963	(\$933,126)	(\$736,932)
Super Link Company Ltd	Purchases	\$225,672	\$411,067	(\$104,095)	(\$370,815)
Super Link Company Ltd	Loan + Interest	\$116,133	\$65,598	(\$2,666,759)	(\$2,402,653)
ACR Equipment (HK) Ltd	Purchases	\$62,607	\$44,266	(\$108,874)	(\$70,700)
ACR Equipment (HK) Ltd	Loan	-	-	(\$696,000)	(\$286,000)

There were no transactions with other related parties during the year. There were no loans to key management personnel. This marks the end of the audited Remuneration Report.

### **INDEMNIFICATION OF DIRECTORS, OFFICERS AND AUDITORS**

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any directors, officers or auditors of the Group.

### **CORPORATE GOVERNANCE**

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Multistack International Limited and controlled entities support and strive to adhere to the best principles of corporate governance. The company's corporate governance statement is contained in the additional ASX information section of this annual report.

### **PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY**

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity.

### **DIRECTORS' MEETINGS**

The numbers of meetings of the board of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

	Board of Directors		Audit Committee		Remuneration Committee		Nomination Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mr A. Yu	4	4	2	2	-	-	-	-
Mr. S. Leung	4	4	-	-	-	-	-	-
Mr. S. Yan	4	4	-	-	-	-	-	-
Ms N. Chan	4	4	-	-	-	-	-	-
Mr. T. Chu	4	4	2	2	-	-	-	-

As at the date of this report, the Board of Directors had an Audit Committee, a Remuneration Committee and a Nomination Committee. The members of the Audit Committee are Mr T. Chu and Mr A. Yu. The members of the Remuneration committee are Mr T. Chu and Mr A. Yu. The members of the Nomination Committee are Mr S W Yan and Mr S Leung.

The Audit Committee met on 24 February 2021 and 18 August 2021. The Remuneration Committee and the Nomination Committee did not meet during the year as no issue had arisen in the respective field during the relevant period.

### **EMPLOYEES**

The consolidated entity employed 4 employees and 5 Directors as at 31 December 2021 (2020: 5 employees and 5 Directors). Ms N. Chan has been included as both an employee and a director in her capacity as an executive director for the current year and comparative.

### **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

The Company believes the COVID-19 pandemic is continuing to affect both the Company as well as the overall economy, in terms of sales and various sales activities.

There has been no other significant event after balance date.

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN: 54 007 254 346

## DIRECTORS' REPORT - CONTINUED

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The business of Multistack Group comprises Multistack Australia Pty Ltd, (Multistack) which includes the Chiller Sales Division in Melbourne and a wholly owned subsidiary Option King Ltd.

Multistack has a loyal clientele base for modular chillers that have been supplied to the Australian market for over 20 years. Multistack also supports the overseas agent network in New Zealand, the Philippines, South Korea, Singapore and Thailand with a reputation of flexibility, durability and reliability in modular chilled water systems.

Option King is a pure investment entity that provides income to the Group.

As mentioned above, the Company is also continuing to commercialise the ORC technology and its products, also in negotiations with various interested parties for local and overseas distribution rights in their regions.

### ENVIRONMENT REGULATION AND PERFORMANCE

The Group's operations are not subject to any significant environmental Commonwealth or state regulations or laws.

### NON-AUDIT SERVICES

Non-audit services are approved by resolution of the audit committee and approval is provided in writing to the board of Directors. Non-audit services provided by the auditors of the consolidated entity during the year, Nexia Melbourne Audit Pty Ltd, are detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*, for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by Multistack and have been reviewed and approved by the Audit Committee to ensure they do not impact on the integrity and objectivity of the auditor; and
- the *non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards)*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for Multistack or any of its related entities, acting as an advocate for Multistack or any of its related entities, or jointly sharing risks and rewards in relation to the operations or activities of Multistack or any of its related entities.

Amounts paid or payable to the auditor for non-audit services provided during the year by the auditor to Multistack International Limited and controlled entities for:

	2021	2020
Taxation Services	\$9,000	\$27,750

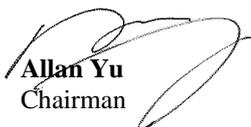
### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is included on page 9 of the financial report and forms part of this report.

### ROUNDING OF AMOUNTS

The parent entity and the consolidated entity have applied the relief available under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and accordingly, the amounts in the consolidated financial statements and in the directors', report have been rounded to the nearest dollar.

Signed in accordance with a resolution of the Directors.

  
Allan Yu  
Chairman

  
Stephen Leung  
Director, CEO  
Melbourne

25 March 2022

## **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 year ended 31 December 2021, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



**Nexia Melbourne Audit Pty Ltd  
Melbourne**



**Richard S. Cen  
Director**

Dated this 25<sup>th</sup> day of March 2022

**MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES**  
 ABN: 54 007 254 346

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

		<b>CONSOLIDATED</b>	
		<b>2021</b>	<b>2020</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>
Sale of goods	2	643,851	600,819
Cost of sales	3	(529,844)	(474,929)
<b>Gross Profit</b>		<b>114,007</b>	<b>125,890</b>
<b>Other Income</b>			
Subsidies and grants	2	20,000	249,501
Reversal of impairment on Verdicorp Inc. Loan	2	-	167,975
Foreign currency (loss) / gain	2	(193,552)	353,068
Interest / dividend income	2	25,945	58,245
Sundry income	2	1,281	33,944
<b>Total Other Income</b>		<b>(146,326)</b>	<b>862,733</b>
<b>Expenses</b>			
Employee benefits expense	3	(416,359)	(432,781)
Administration expenses and Occupancy expenses	3	(537,743)	(665,480)
Professional fees		(113,656)	(141,546)
Other expenses		(32,900)	(117,132)
<b>Total expenses</b>		<b>(1,100,658)</b>	<b>(1,356,939)</b>
<b>Loss before income tax</b>		<b>(1,132,977)</b>	<b>(368,316)</b>
Income tax	4	-	-
<b>Loss for the year from continuing operations</b>		<b>(1,132,977)</b>	<b>(368,316)</b>
<b>Other comprehensive loss for the year</b>			
<i>Items that may be reclassified subsequently to profit and loss</i>			
		-	-
<b>Total comprehensive loss for the year</b>		<b>(1,132,977)</b>	<b>(368,316)</b>
<b>Earnings per share for loss from continuing operations attributable to members of the parent:</b>			
Basic loss per share	19	\$(0.0083)	\$(0.0033)
Diluted loss per share	19	\$(0.0083)	\$(0.0033)

*The above statement should be read in conjunction with the accompanying notes*

**MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES**  
 ABN: 54 007 254 346

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
 AS AT 31 DECEMBER 2021**

		<b>CONSOLIDATED</b>	
	<b>Notes</b>	<b>2021</b>	<b>2020</b>
		<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	15(a)	1,334,547	346,758
Investments	8	687,967	666,528
Receivables	6	98,739	233,842
Inventories	7	118,470	299,328
Prepayments		-	5,664
Deposit – Bond for property		17,612	17,612
<b>Total Current Assets</b>		<b>2,257,335</b>	<b>1,569,732</b>
<b>Non-current Assets</b>			
Receivables	6	-	51,935
Intangible assets – ORC Technology	9	3,113,182	3,113,182
Leased assets – right of use	18	214,995	35,770
<b>Total Non-current Assets</b>		<b>3,328,177</b>	<b>3,200,887</b>
<b>TOTAL ASSETS</b>		<b>5,585,512</b>	<b>4,770,619</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	11	1,488,802	1,501,145
Lease liability	18	82,871	45,540
Loan from ACR Equipment HK Co.Ltd.	11	696,000	286,000
Provisions	12	147,742	117,830
<b>Total Current Liabilities</b>		<b>2,415,415</b>	<b>1,950,515</b>
<b>Non-current Liabilities</b>			
Lease liability	18	135,656	-
Loan from Super Link Company Ltd	11	2,480,706	2,337,055
Provisions	12	7,660	3,997
<b>Total Non-current Liabilities</b>		<b>2,624,022</b>	<b>2,341,052</b>
<b>TOTAL LIABILITIES</b>		<b>5,039,437</b>	<b>4,291,567</b>
<b>NET ASSETS</b>		<b>546,075</b>	<b>479,052</b>
<b>EQUITY</b>			
<b>EQUITY ATTRIBUTABLE TO EQUITY          HOLDERS OF THE PARENT</b>			
Contributed equity	13	156,838,695	155,638,695
Accumulated losses	14	(156,292,620)	(155,159,643)
<b>TOTAL EQUITY</b>		<b>546,075</b>	<b>479,052</b>

*The above statement should be read in conjunction with the accompanying notes*

**MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES**  
 ABN: 54 007 254 346

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	Attributable to equity holders of the parent		
<b>CONSOLIDATED</b>	<b>Contributed Equity</b> \$	<b>Accumulated Losses</b> \$	<b>Total Equity</b> \$
<b>At 1 January 2020</b>	<b>155,638,695</b>	<b>(154,791,327)</b>	<b>847,368</b>
Loss for the year	-	(368,316)	(368,316)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(368,316)</b>	<b>(368,316)</b>
Transactions with owners in their capacity as owners	-	-	-
<b>As at 31 December 2020</b>	<b>155,638,695</b>	<b>(155,159,643)</b>	<b>479,052</b>

	Attributable to equity holders of the parent		
<b>CONSOLIDATED</b>	<b>Contributed Equity</b> \$	<b>Accumulated Losses</b> \$	<b>Total Equity</b> \$
<b>At 1 January 2021</b>	<b>155,638,695</b>	<b>(155,159,643)</b>	<b>479,052</b>
Loss for the year	-	(1,132,977)	(1,132,977)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(1,132,977)</b>	<b>(1,132,977)</b>
Transactions with owners in their capacity as owners			
Issue of share capital	1,200,000	-	1,200,000
<b>As at 31 December 2021</b>	<b>156,838,695</b>	<b>(156,292,620)</b>	<b>546,075</b>

*This statement should be read in conjunction with the accompanying notes*

**MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES**  
 ABN: 54 007 254 346

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

		<b>CONSOLIDATED</b>	
	<b>Notes</b>	<b>2021</b>	<b>2020</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers and government grants		912,965	732,520
Payments to suppliers and employees		(1,469,121)	(1,048,804)
Interest and other items of similar nature received		-	30,068
Finance costs		-	(10,013)
<b>Net cash (used in) operating activities</b>	15(b)	<b>(556,156)</b>	<b>(296,229)</b>
<b>Cash flows from investing activities</b>			
Payment for acquisition of Verdicorp assets		-	(2,578,628)
Proceeds on sale of Property, Plant and Equipment		-	6,852
Interest and other items of similar nature received		25,945	-
Payment for Property, Plant and Equipment		-	(67,871)
<b>Net cash provided by / (used in) investing activities</b>		<b>25,945</b>	<b>(2,639,647)</b>
<b>Cash flows from financing activities</b>			
Proceeds on issue of share capital		1,200,000	-
Proceeds from borrowings		410,000	2,724,383
Payment of principal portion of lease payments		(92,000)	(81,987)
<b>Net cash provided by financing activities</b>		<b>1,518,000</b>	<b>2,642,396</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>987,789</b>	<b>(293,480)</b>
Cash and cash equivalents at beginning of year		346,758	640,238
<b>Cash and cash equivalents at end of year</b>	15(a)	<b>1,334,547</b>	<b>346,758</b>

*The above statement should be read in conjunction with the accompanying notes*

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN: 54 007 254 346

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies adopted by the Group in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### **A) BASIS OF PREPARATION OF THE FINANCIAL REPORT**

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*.

The financial report covers Multistack International Limited and controlled entities as a consolidated entity. Multistack International Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. The address of Multistack International Limited's registered office and principal place of business is 17 Friars Road, Moorabbin, Victoria, 3189. Multistack International Limited is a for-profit entity for the purpose of preparing the financial report.

The financial report was authorised for issue in accordance with a resolution of the Directors as at the date of this report.

The nature of the operations and principal activities of the Group are described on Page 3.

#### *Compliance with IFRS*

The financial report also complies with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### *Historical cost convention*

The 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.

#### *Significant accounting estimates*

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 1(O).

#### **B) GOING CONCERN**

The Directors have prepared the financial statements for the Group on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the discharge of liabilities in the ordinary course of business.

During the year ended 31 December 2021, the Group incurred a loss after income tax for the year of \$1,132,977 (2020: \$368,316 loss). The Group had a net asset position of \$546,075 (2020 \$479,052). The Group had a net cash outflow from operating activities of \$556,156 (2020: \$296,229 outflow).

As a result of these matters, there is a material uncertainty that may cast significant doubt on 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 ordinary course of business. However, the Group has obtained an undertaking from a director related company that the Group will receive financial support to enable the Group to meet its debts and obligations as and when they fall due for at least 12 months from the date of signing the Group's financial report for the year ended 31 December 2021. The Directors therefore have concluded that the Going Concern basis is appropriate.

The Financial Statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts nor to the amounts or classification of liabilities that might be necessary should the Company not be able to trade as forecast or to secure sufficient funding to continue as a going concern. If the going concern basis of accounting is found to no longer be appropriate, the recoverable amount of the assets shown in the Statement of Financial Position are likely to be significantly less than the amounts disclosed, and the extent of liabilities may differ significantly from those reflected.

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN: 54 007 254 346

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

#### **C) NEW AND REVISED ACCOUNTING STANDARDS EFFECTIVE AT 1 JANUARY 2021**

##### **New accounting standards and interpretations**

The Group has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 January 2021.

##### **Accounting standards issued but not yet effective**

*AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current*

This standard amends AASB 101 to clarify that liabilities are classified as either current or non-current, depending on rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or ever the reporting date (for example, the receipt of a waiver, a breach of covenant, or settlement of the liability). The mandatory application date of the amendment has been deferred by 12 months to 1 January 2023 by AASB 2020-6.

AASB 2020-1 mandatorily applies to annual reporting periods commencing on or after 1 January 2023 and will be first applied by the Group in the financial year commencing 1 January 2023.

The likely impact of this accounting standard on the financial statements of the Group has not been determined.

*AASB 2020-3: Annual Improvements to IFRS Standards 2018–2020 and Other Amendments*

This standard amends:

- a) the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences;
- b) AASB 3 to update references to the Conceptual Framework for Financial Reporting;
- c) AASB 9 to clarify when the terms of a new or modified financial liability are substantially different from the terms of the original financial liability;
- d) AASB 116 to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset;
- e) AASB 137 to specify the costs that an entity includes when assessing whether a contract will be loss-making; and
- f) AASB 141 to align the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

AASB 2020-3 mandatorily applies to annual reporting periods commencing on or after 1 January 2022 and will be first applied by the Group in the financial year commencing 1 January 2022.

The likely impact of this accounting standard on the financial statements of the Group has not been determined.

*AASB 2021-2: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*

This Standard amends:

- a) AASB 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
- b) AASB 101, to require entities to disclose their material accounting policy information rather than their significant accounting policies;
- c) AASB 108, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
- d) AASB 134, to identify material accounting policy information as a component of a complete set of financial statements; and
- e) AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

AASB 2021-2 mandatorily applies to annual reporting periods commencing on or after 1 January 2023 and will be first applied by the Group in the financial year commencing 1 January 2023.

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN: 54 007 254 346

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

The likely impact of this accounting standard on the financial statements of the Group has not been determined.

*AASB 2021-5: Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendment narrowed the scope of the recognition exemption in paragraphs 15 and 24 of AASB 112 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendment applies to transactions that occur on or after the beginning of the earliest comparison period presented.

AASB 2021-5 mandatorily applies to annual reporting periods commencing on or after 1 January 2023 and will be first applied by the Group in the financial year commencing 1 July 2023.

The likely impact of this accounting standard on the financial statements of the Group has not been determined.

#### **D) BASIS OF CONSOLIDATION**

The consolidated financial statements are those of the Group, comprising Multistack International Limited (parent entity) and all entities, which Multistack International Limited controlled from time to time during the year and at balance date. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company had control.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist. All intercompany balances and transactions, including any unrealised profits or losses arising from intra-group transactions, have been eliminated in full on consolidation.

#### **E) FOREIGN CURRENCY TRANSLATION**

Both the functional and presentation currency of Multistack International Limited and its wholly owned subsidiaries Multistack Australia Pty Ltd and Option King Ltd are Australian dollars (A\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at the balance sheet date. All exchange gains and losses are recognised in profit and loss for the period in which they arise.

#### **F) PLANT AND EQUIPMENT**

*Cost and valuation*

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

*Depreciation*

Depreciation is provided on a straight-line basis on all plant and equipment, over the estimated useful lives commencing from the time the asset is held ready for use.

#### **G) IMPAIRMENT**

Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN: 54 007 254 346

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

#### **H) INVENTORIES**

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – purchase cost on a first-in, first-out basis;
- Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

#### **I) CASH AND CASH EQUIVALENTS**

Cash and short-term deposits in the balance sheet comprise cash at bank, cash in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

#### **J) PROVISIONS**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation for which a reliable estimate can be made of the amount of the obligation.

#### **K) REVENUE RECOGNITION**

##### *Revenue from contracts with customers*

The Group derives revenue from the sale of heating, ventilation and air-conditioning goods. Revenue from the sale of heating ventilation and air-conditioning goods is recognised at the point in time when control of the goods is transferred to the customer, which generally occurs at the time the goods are delivered to the customers. Customers are required to pay in full for all goods purchased within 30 days of invoice date. Customers have the right to return purchased goods, for a refund, within 7 days of purchase, less any freight and handling charges. The estimated amount of refunds for returned goods is recognised as a refund liability. Revenue is measured net of any discounts and other price concessions, and net of the estimated amount of refunds for returned goods.

##### *Interest*

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

##### *Dividends*

Dividend revenue is recognised when the right to receive a dividend has been established.

##### *Warranty obligations*

The Group provides a general warranty for all goods sold. The Group also provides customers with the option to purchase additional or extended warranty. Warranty obligations are recognised as a provision, and are measured at the company's estimate of the expenditure required to fulfil its warranty obligations at reporting date. The Group updates the measurement of the warranty provision at the end of each reporting period for changes in expectations.

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN: 54 007 254 346

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

#### *Government grants*

Government grants are recognised when there is reasonable certainty that the grant will be received and all grant conditions are met.

Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

Grants relating to depreciable assets are credited to deferred income and are recognised in profit or loss over the period and in the proportions in which depreciation expense on those assets is recognised.

All revenue is stated net of the amounts of goods and services tax (GST).

#### **L) INCOME TAX**

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rate when the assets are expected to be recovered or liabilities are settled. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

#### **M) EMPLOYEE BENEFITS**

##### *Short-term employee benefit obligations*

Liabilities arising in respect of wages and salaries, annual leave and other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled.

The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the statement of financial position.

##### *Other long-term employee benefit obligations*

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. For currencies in which there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency are used. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Other long-term employee benefit obligations are presented as current liabilities in the balance sheet if the group does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the statement of financial position.

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN: 54 007 254 346

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

#### *Defined contribution superannuation plan*

The group makes superannuation contributions to the employee's defined contribution superannuation plan of choice in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the related employee services are received. The group's obligation with respect to employee's defined contributions entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the statement of financial position.

#### **N) LEASES**

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the Group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

#### *Lease assets*

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

#### *Lease liabilities*

Lease liabilities are initially recognised at the present value of the future lease payments (i.e., the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Group's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

#### *Leases of 12-months or less and leases of low value assets*

Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

#### **O) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Group makes certain estimates and assumption concerning the future, which, by definition will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events which could have a material impact on the assets and liabilities in the next financial year are disclosed below:

#### *Impairment of financial assets other than goodwill*

The Group assesses impairment at each reporting date by evaluating the conditions specific to the Group and to a particular asset that may lead to impairment of assets. These include adverse changes in the economic or political environment, technology changes and future expectations. If an impairment trigger exists, then the recoverable amount of the asset shall be evaluated.

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN: 54 007 254 346

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

#### *Fair value measurements*

Certain financial assets and liabilities are measured at fair value. Fair values have been determined in accordance with fair value measurement hierarchy. Refer to Note 25.

#### **P) FINANCIAL INSTRUMENTS**

##### *Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

##### *Financial assets*

Financial assets recognised by the group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

- (i) the group's business model for managing the financial assets; and
- (ii) the contractual cash flow characteristics of the financial asset.

##### *Trade and other receivables*

Trade and other receivables arise from the Group's transactions with its customers and are normally settled within 30-90 days.

Consistent with both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost, except when the effect of discounting is not material, in which case the financial asset is carried at its nominal amount. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

The Group has chosen to apply the simplified approach under AASB 9 to measuring impairment provisions for receivables, including lease receivables. Under the AASB 9 Financial Instruments simplified approach, the Group determines the impairment provision for receivables on the basis of the lifetime expected credit losses of the receivable. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the receivable.

##### *Financial liabilities*

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities. Non-derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation. Financial liabilities are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN: 54 007 254 346

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

#### **Q) INTANGIBLE ASSETS**

##### *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.

#### **R) COMPARATIVES**

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

#### **S) GOODS AND SERVICES TAX (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the 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 statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### **T) ROUNDING OF AMOUNTS**

The Company and the Group have applied the relief available under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest dollar.

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN: 54 007 254 346

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

	CONSOLIDATED	
	2021	2020
	\$	\$
<b>2. REVENUES</b>		
<b>Revenue from contracts with customers</b>		
<i>Revenue recognised at a point in time</i>		
Sale of chillers	584,200	543,210
Sale of related spare parts	59,651	57,609
	<u>643,851</u>	<u>600,819</u>
<b>Other Income</b>		
Subsidies and grants	20,000	249,501
Reversal of impairment on Verdicorp Inc. Loan	-	167,975
Foreign currency (loss) / gain	(193,552)	353,068
Interest / Dividends received	25,945	58,245
Sundry Income	1,281	33,944
	<u>(146,326)</u>	<u>862,733</u>
	<u>497,525</u>	<u>1,463,552</u>
<b>3. LOSS FROM CONTINUED OPERATIONS</b>		
Loss from continuing operations before income tax has been determined after the following specific expenses:		
<i>Cost of goods sold</i>		
Changes in inventories of finished goods and work in process	(180,858)	55,575
Raw materials and consumables	(348,986)	(530,504)
Cost of goods sold	<u>(529,844)</u>	<u>(474,929)</u>
Employee benefits expense	(416,359)	(432,781)
<i>Other expenses</i>		
Finance costs	(123,125)	(75,611)

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN: 54 007 254 346

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

	<b>CONSOLIDATED</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>4. INCOME TAX</b>		
<b>(a) Components of tax expense:</b>		
Income tax	-	-
	-	-
<b>(b) Prima facie tax payable</b>		
The prima facie tax on loss before income tax is reconciled to the income tax benefit as follows:		
Prima facie income tax benefit on loss before income tax at 25% (2020: 26%)	(283,244)	(95,762)
Add tax effect of:		
unused tax losses not brought to account	245,377	215,793
non-taxable foreign entity proportion	(10,521)	(43,472)
foreign exchange	48,388	(91,798)
legal fees	-	15,239
	283,244	95,762
Income tax benefit attributable to loss	-	-
<b>(c) Current tax</b>		
Opening balance	-	-
<b>Closing balance</b>	-	-
<b>(d) Unused tax losses not brought to account</b>		
Deferred tax balances of the Group are not brought to account at balance date as realisation of the deferred tax assets are not regarded as being probable.	3,290,555	2,894,006

The Group has accumulated significant capital losses following the sale of the Chinese operations. No deferred tax balances have been brought to account to date. Deferred tax balances will only be recognised when it is probable that future taxable amounts will be available. Utilisation of tax losses are also subject to certain tests as required by the *Income Tax Assessment Act 1997*, including the Same Business Test and the Continuity of Ownership Test.

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN: 54 007 254 346

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

	CONSOLIDATED	
	2021	2020
	\$	\$
<b>5. FRANKING ACCOUNT</b>		
Balance per prior year	143,137	143,137
	<u>143,137</u>	<u>143,137</u>
<b>6. RECEIVABLES</b>		
<b>Current</b>		
Receivables from contracts with customers	101,310	219,097
Allowance for credit loss	(a) (2,571)	(3,255)
Sundry receivable	-	18,000
	<u>98,739</u>	<u>233,842</u>
<b>Non-current</b>		
Sundry receivables	-	51,935
	<u>-</u>	<u>51,935</u>
<i>(a) Movement in allowance for credit loss</i>		
Balance at beginning of year	(3,255)	(27)
- reversal of provision / (provision) during the year	684	(3,228)
Balance at end of year	<u>(2,571)</u>	<u>(3,255)</u>

Trade receivables ageing analysis at 31 December is:

	Gross 2021	Credit Loss 2021	Gross 2020	Credit Loss 2020
	\$	\$	\$	\$
Not past due	101,310	(2,571)	216,601	(759)
Past due 1-30 days	-	-	1,730	(1,730)
Past due 31-60 days	-	-	-	-
Past due more than 61 days	-	-	766	(766)
	<u>101,310</u>	<u>(2,571)</u>	<u>219,097</u>	<u>(3,255)</u>

A receivable from a contract with a customer represents the Group's unconditional right to consideration arising from the transfer of goods or services to the customer. Trade receivables are non-interest bearing with 30 days terms. An impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. Trade receivables not impaired are expected to be received.

The Group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for receivables from contracts with customers, contract assets and lease receivables. Under the AASB 9 simplified approach, the Group determines the allowance for credit losses for receivables from contracts with customers, contract assets and lease receivables on the basis of the lifetime expected credit losses of the instrument. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

The Group determines expected credit losses using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the financial asset as well as current and future expected economic conditions relevant to the financial asset. When material, the time value of money is incorporated into the measurement of expected credit losses. There has been no change in the estimation techniques or significant assumptions made during the reporting period.

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## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

	CONSOLIDATED	
	2021	2020
	\$	\$
<b>7. INVENTORIES</b>		
<b>Current</b>		
Finished goods at cost	118,470	299,328
Total inventories	<u>118,470</u>	<u>299,328</u>
<b>8. INVESTMENT</b>		
<b>Current</b>		
<b>Financial Assets at Fair Value Through Profit and Loss</b>		
Investments held with Bank of Singapore	687,967	666,528
	<u>687,967</u>	<u>666,528</u>
<b>9. INTANGIBLE ASSETS</b>		
Multistack International Limited (ASX:MSI) has purchased the assets of Verdicorp, Inc., this included both access to and control of as well as all rights to distribute the Organic Rankine Cycle (ORC) technology. This also included the licence and supply agreement with Danfoss for the use of their oil-free machinery technology used in the Turbocor compressor, for use in all applications apart from the >20tonR HVACR market, intellectual property, plans and blue prints for the full range of Organic Rankine Cycle Machines.		
ORC distribution rights	635,048	635,048
Danfoss tech licence and supply agreement	2,478,134	2,478,134
Accumulated depreciation	-	-
Net carrying amount	<u>3,113,182</u>	<u>3,113,182</u>
<b>10. PLANT &amp; EQUIPMENT</b>		
Plant and equipment at cost	30,566	30,566
Accumulated depreciation	<u>(30,566)</u>	<u>(30,566)</u>
Net carrying amount	<u>-</u>	<u>-</u>
Motor vehicles at cost	47,310	47,310
Accumulated depreciation	<u>(47,310)</u>	<u>(47,310)</u>
Net carrying amount	<u>-</u>	<u>-</u>
<b>11. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Trade payables	308,791	608,387
Sundry creditors	1,180,011	892,758
	<u>1,488,802</u>	<u>1,501,145</u>
Loan from ACR Equipment (HK) Ltd	<u>696,000</u>	<u>286,000</u>
<b>Non current</b>		
In order to fund the Verdicorp acquisition, MSI has borrowed US\$1,800,000 from Super Link Company Ltd. The loan is interest bearing at 5.00% per annum, is on commercial and arm's length terms, and secured by MSI granting security to Super Link Company Ltd of its interests in the assets acquired under Verdicorp acquisition. This loan arrangement is subject to Shareholders' approval to be held at a later date.		
Loan from Super Link Co. Ltd.	<u>2,480,706</u>	<u>2,337,055</u>

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

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## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

	Notes	CONSOLIDATED	
		2021	2020
		\$	\$
<b>12. PROVISIONS</b>			
<b>Current</b>			
Employee entitlements		135,742	105,830
Warranty claims	13 (a)	12,000	12,000
		<u>147,742</u>	<u>117,830</u>
<b>Non current</b>			
Employee entitlements		7,660	3,997
		<u>7,660</u>	<u>3,997</u>
Aggregate employee benefits liability		<u>143,402</u>	<u>109,827</u>

(a) *Provision for Warranty*

All entities in the wholesale and retail operations provide for warranties under which faulty products are repaired or replaced.

### 13. CONTRIBUTED EQUITY

**a) Issued paid up capital**

136,303,924 ordinary shares fully paid  
(2020: 112,303,924)

<u>156,838,695</u>	<u>155,638,695</u>
--------------------	--------------------

On 19 November 2021, the Company announced that it has completed the issue of 24,000,000 new shares (at an issue price of A\$0.05 per share) to Jin Qiao (Hong Kong) Investment Development Co., Ltd. The Company has raised working capital of A\$1.2 million.

**b) Terms and Conditions of contributed equity**

*Ordinary Shares*

Ordinary shares have the right to receive dividends as declared, and in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

**c) Capital Management**

When managing capital, management's objective is to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cash flows.

### 14. ACCUMULATED LOSSES

Accumulated losses	<u>(156,292,620)</u>	<u>(155,159,643)</u>
<b>Accumulated losses</b>		
Balance at beginning of year	(155,159,643)	(154,791,327)
Loss for the year	(1,132,977)	(368,316)
Total available for appropriation	<u>(156,292,620)</u>	<u>(155,159,643)</u>
Balance at end of year	<u>(156,292,620)</u>	<u>(155,159,643)</u>

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

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## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

	CONSOLIDATED	
	2021	2020
	\$	\$
<b>15. CASH FLOW INFORMATION</b>		
<b>(a) Reconciliation of cash</b>		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash at bank	1,334,547	346,758
Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.		
<b>(b) Reconciliation of the operating (loss) after tax to the net cash flows used in operations</b>		
Operating loss after tax	(1,132,977)	(368,316)
<b>Non-cash items</b>		
Depreciation and amortisation	78,770	71,540
Foreign currency gain	193,552	(353,068)
Provision for doubtful debt	(684)	3,228
Provision for stock impairment	106,644	(72,379)
Non-cash interest on loan	-	13,640
(Recovery) of Impairment on loan to Verdicorp Inc.	-	(167,975)
Accrued interest for loan from Super Link Co. Ltd.	123,125	-
Unrealised gain on investment	(21,439)	(25,097)
Profit /loss on sale of Property, Plant and Equipment	-	9,084
Inventory write off	-	121,341
<b>Changes in assets and liabilities</b>		
Decrease / (Increase) in receivables	187,721	(286,345)
Decrease in inventory	74,214	16,804
(Increase) in Dividend receivable	(25,945)	-
Decrease / (Increase) in prepayment and other assets	5,664	(2,664)
Increase / (Decrease) in provisions	33,575	(94)
(Decrease) / Increase in trade and other payables	(178,376)	744,072
Net cash (used in) operating activities	(556,156)	(296,229)

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

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## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

### 16. PARENT ENTITY DETAILS

Summarised presentation of the parent entity, Multistack International Limited, financial statements:

	2021	2020
	\$	\$
<b>(a) Summarised statement of financial position</b>		
<b>Assets</b>		
Current assets	858,227	13,882,017
Non-current assets	6,113,187	6,113,187
Total assets	<u>6,971,414</u>	<u>19,995,204</u>
<b>Liabilities</b>		
Current liabilities	(1,018,018)	(788,931)
Non-current liabilities	(2,666,759)	(2,402,654)
Total liabilities	<u>(3,684,777)</u>	<u>(3,191,585)</u>
<b>Net assets</b>	<u>3,286,637</u>	<u>16,803,619</u>
<b>Equity</b>		
Contributed equity	156,838,695	155,638,695
Accumulated losses	(153,552,058)	(138,835,076)
<b>Total equity</b>	<u>3,286,637</u>	<u>16,803,619</u>
<b>(b) Summarised statement of comprehensive income</b>		
Loss for the year	<u>(14,716,982)</u>	<u>(408,201)</u>

In 2021, the parent entity, Multistack International Limited, has raised a provision of \$14,015,872 for an intercompany loan for its subsidiary, Multistack Australia Pty Ltd.

### 17. INTEREST IN CONTROLLED ENTITIES (NON-CURRENT)

Investment in controlled entities comprises:

	Incorporated in	Beneficial percentage held by Group	
		2021	2020
Multistack Australia Pty Ltd	Australia	100%	100%
Option King Ltd	Hong Kong	100%	100%

Overseas controlled entities carry on business in the country of incorporation.

#### Ultimate parent

Multistack International Limited is the ultimate Australian holding company.

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

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## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

### 18. LEASE ASSETS AND LEASE LIABILITIES

The following information relates to the current and prior reporting periods, and is presented in accordance with AASB 16 *Leases* which was applied by the Group with the full retrospective approach to each reporting period.

The Group's lease commitments relate to the commercial premises in Moorabbin, Australia. The term of lease is renewed for further 3 years starting 24 July 2021.

	2021	2020
	\$	\$
<b>Lease assets</b>		
Carrying amount of lease assets, by class of underlying asset:		
<i>Buildings under lease arrangements</i>		
At cost	257,995	214,620
Accumulated depreciation	(43,000)	(178,850)
	<b>214,995</b>	<b>35,770</b>
<b>Total carrying amount of lease assets</b>	<b>214,995</b>	<b>35,770</b>

	<b>Buildings</b>	
<i>Reconciliation of the carrying amount of lease assets at the beginning and end of the financial year:</i>		
Carrying amount at 1 January 2021	35,770	107,310
Additions	257,995	-
Depreciation	(78,770)	(71,540)
Carrying amount at 31 December 2021	<b>214,995</b>	<b>35,770</b>

### Lease arrangements (31 December 2021)

#### Lease liabilities

Current lease liabilities	82,871	45,540
Non-current lease liabilities	135,656	-
Total carrying amount of lease liabilities	<b>218,527</b>	<b>45,540</b>

An analysis of the remaining contractual maturities of lease liabilities is disclosed in Note 24.

#### Lease expenses and cashflows

Interest expense on lease liabilities	6,992	10,013
Depreciation expense on lease assets	78,770	71,540
Total cash outflow in relation to leases	92,000	61,220

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

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## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

### 19. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of potential ordinary shares outstanding during the year.

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	CONSOLIDATED	
	2021	2020
	\$	\$
<i>Reconciliation of loss used in calculating earnings per share:</i>		
Loss from continuing operations	(1,132,977)	(368,316)
Loss used in calculating basic loss per share	<u>(1,132,977)</u>	<u>(368,316)</u>
Loss used in calculating diluted earnings per share from continuing operations	<u>(1,132,977)</u>	<u>(368,316)</u>
Weighted average number of ordinary shares used in calculating basic earnings per share:	136,303,924	112,303,924
Weighted average number of ordinary shares used in calculating diluted earnings per share:	136,303,924	112,303,924
Basic loss per share for continuing operations	<u>\$(0.0083)</u>	<u>\$(0.0033)</u>
Diluted loss per share for ongoing operations	<u>\$(0.0083)</u>	<u>\$(0.0033)</u>

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

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## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

### 20. KEY MANAGEMENT PERSONNEL COMPENSATION

#### (a) Details of Key Management Personnel

(i) *Directors*

Mr. A. Yu	Chairman and Non-executive Director
Mr. S. Leung	Chief Executive Officer and Executive Director
Mr. S. Yan	Executive Director
Ms. N. Chan	Executive Director
Mr. T. Chu	Non-executive Director

(ii) *Executives*

Ms Y.Wong	Company Secretary and Chief Financial Officer
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#### (b) Shareholdings of Key Management Personnel

Ordinary shares	Balance 1 January 2021	Acquired / transferred	Sold	Balance 31 December 2021
<b>Directors</b>				
A Yu	-	-	-	-
S. Leung	28,405,454	-	-	28,405,454
S. Yan	34,567,498	-	-	34,567,498
N. Chan	20,000	-	-	20,000
T. Chu	-	-	-	-
Y Wong	-	-	-	-

Ordinary shares	Balance 1 January 2020	Acquired / transferred	Sold	Balance 31 December 2020
<b>Directors</b>				
A Yu	-	-	-	-
S. Leung	28,405,454	-	-	28,405,454
S. Yan	34,567,498	-	-	34,567,498
N. Chan	20,000	-	-	20,000
T. Chu	-	-	-	-
Y Wong	-	-	-	-

There have been no other transactions concerning shares or share options between entities in the reporting entity and directors and executives of the reporting entity or their director-related entities.

#### (c) Directors' and Executives' Compensation

<i>Compensation by category</i>	2021	2020
Short-term employment benefits	\$368,132	\$380,364
Post-employment benefits	\$24,436	\$24,436
	<u>\$392,568</u>	<u>\$404,800</u>

#### (d) Other transactions and balances with key management personnel

*Transactions with director related entities:*

Management services provided by Welletin Investment Ltd. (a related party of S. Yan and S. Leung) to Multistack International Limited and its controlled entities were on normal commercial terms and conditions. The aggregate service fees for the year was \$150,732 (2020: \$162,963). At the year-end total management fees payable was \$933,126 (2020: \$736,932).

Multistack International Limited and its controlled entities purchased inventory from Super Link Company Ltd (a related party of S. Yan and S. Leung) on normal commercial terms and conditions. The aggregate purchases for the year were \$225,672 (2020: \$411,067). At year-end total payable was \$104,095 (2020: \$370,815).

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

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## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

### 20. KEY MANAGEMENT PERSONNEL COMPENSATION– Cont'd

Freight expenses and some other expenses were paid for by ACR Equipment (HK) Ltd (a related party of S. Yan and S. Leung) on behalf of Multistack International Limited and its controlled entities, these were on normal commercial terms and conditions. The aggregate expenses for the year was \$62,607 (2020: \$44,266). At year-end total payable was \$804,874 (2020: \$356,700), of which \$696,000 (2020: \$286,000) was a loan provided to Multistack Australia Pty Ltd and the balance related to freight and other expenses.

In June 2020, the Group purchased the assets of Verdicorp, Inc., and in order to fund the Verdicorp acquisition, the Group has entered into a loan agreement for US\$1,800,000 (A\$2,480,706) with Super Link Company Limited (a related party of S Yan and S Leung) and interest payable of US\$135,000 (A\$186,053).

Details of remuneration paid to key management personnel are disclosed in the Directors Report.

Messrs. Leung and Yan through their related entities provide management support and inventory purchases to Multistack International Limited and Multistack Australia Limited as follows:

Directors and related entities	Transaction	Expenditure		Balance (Payable)	
		31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Welletin Investment Ltd	Management	\$150,732	\$162,963	(\$933,126)	(\$736,932)
Super Link Company Ltd	Purchases	\$225,672	\$411,067	(\$104,095)	(\$370,815)
Super Link Company Ltd	Loan + Interest	\$116,133	\$65,598	(\$2,666,759)	(\$2,402,653)
ACR Equipment (HK) Ltd	Purchases	\$62,607	\$44,266	(\$108,874)	(\$70,700)
ACR Equipment (HK) Ltd	Loan	-	-	(\$696,000)	(\$286,000)

There were no transactions with other related parties during the year. There were no loans to key management personnel.

### CONSOLIDATED

2021  
\$

2020  
\$

### 21. AUDITORS' REMUNERATION

Amounts received or due and receivable by the auditors of Multistack International Limited and controlled entities for:

Audit and review of financial reports	75,000	120,746
Other services		
- tax compliance	9,000	27,750
	<u>84,000</u>	<u>148,496</u>

### 22. CONTINGENT LIABILITIES

There were no material contingent liabilities or assets at balance date.

### 23. SEGMENT INFORMATION

#### (a) Description of segments

The consolidated entity's chief operating decision maker has identified the following reportable segments:

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. The Group also has agency relationships with agents in New Zealand, Philippines, South Korea and the middle east however these sales are a small portion of the overall group sales and the risks and returns of these sales do not differ from the domestic sales.

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

All these 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.

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

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## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

### 23. SEGMENT INFORMATION – CONT'D

#### (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.

2021	Segment 1	Segment 2	Total
	\$	\$	\$
<b>Segment revenue from external source</b>	449,947	47,578	497,525
<b>Segment result from external source</b>	(1,175,062)	42,085	(1,132,977)
Items included within the segment result:			
Interest/dividend income	-	25,945	25,945
Interest expense	(123,125)	-	(123,125)
<b>Total segment assets</b>	4,880,334	705,178	5,585,512
<b>Total segment liabilities</b>	5,039,437	-	5,039,437
2020	Segment 1	Segment 2	Total
	\$	\$	\$
<b>Segment revenue from external source</b>	1,265,895	197,657	1,463,552
<b>Segment result from external source</b>	(535,516)	167,200	(368,316)
Items included within the segment result:			
Interest/dividend income	23,184	35,061	58,245
Interest expense	(75,611)	-	(75,611)
<b>Total segment assets</b>	3,907,527	863,092	4,770,619
<b>Total segment liabilities</b>	4,291,567	-	4,291,567

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

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## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

### 23. SEGMENT INFORMATION – CONT'D

#### (c) Revenue from external customers and non-current assets attributable to segments

- The total amount of external revenue derived from major customers where the revenue is greater than 10% of the consolidated entity's total revenue is \$282,561 (2020: \$456,166).
- There were \$3,328,177 non-current assets at period end (2020: \$3,200,887).

### 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly comprise of cash, fixed income funds, and equity funds.

The main purpose of these financial instruments is to provide working capital for the Group's operations.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

#### *Interest rate risk*

The Group has an interest-bearing debt obligation with Super Link Company Ltd at 5% per annum, and has fixed income funds, equity funds and cash.

The group's exposure to interest rate risk is limited to the cash balances on hand. The effective interest rate received on cash balances for the year ended 31 December 2020 was 0% and interest rate received on cash balances for the year ended 31 December 2021 was 0%.

#### *Sensitivity*

If interest rates on cash and bonds were to increase/decrease by 100 basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	2021	2020
+/- 100 basis points	\$	\$
Impact on profit after tax	1,335	347
Impact on equity	1,335	347

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

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## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

### 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES– CONT'D

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate	Fixed / variable rate
	\$	\$	\$	%	
<b>2021</b>					
(i) Financial assets					
Cash	-	1,334,547	1,334,547	-	Variable
Receivables	-	98,739	98,739	-	
Deposit – Bond for property	-	17,612	17,612	-	
Managed funds					
PIMCO GIS – INCOME FND HI-E AUD	-	320,975	320,975	-	
BGF-European Equity Inc A8H (AUD)	-	366,992	366,992	-	
Total financial assets	-	2,138,865	2,138,865		
(ii) Financial liabilities					
Trade payables	-	308,791	308,791	-	
Sundry creditors	-	1,180,011	1,180,011	-	
Loan from ACR Equipment HK Co. Ltd.	-	696,000	696,000	-	
Lease liabilities	218,527	-	218,527	5%	Fixed
Loan from Super Link Company Ltd	2,480,706	-	2,480,706	5%	Fixed
Total financial liabilities	2,699,233	2,184,802	4,884,035		
<b>2020</b>					
(i) Financial assets					
Cash	-	346,758	346,758	-	Variable
Receivables	-	285,771	285,771	-	
Deposit – Bond for property	-	17,612	17,612	-	
Managed funds					
PIMCO GIS – INCOME FND HI-E AUD	-	349,890	349,890	-	
BGF-European Equity Inc A8H (AUD)	-	316,638	316,638	-	
Total financial assets	-	1,316,669	1,316,669		
(ii) Financial liabilities					
Trade payables	-	608,387	608,387	-	
Sundry creditors	-	892,758	892,758	-	
Loan from ACR Equipment HK Co. Ltd.	-	286,000	286,000	-	
Lease liabilities	45,540	-	45,540	12%	Fixed
Total financial liabilities	2,337,055	-	2,337,055	5%	Fixed
	2,382,595	1,787,145	4,169,740		

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN: 54 007 254 346

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

### 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES– CONT'D

#### *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The following table outlines the group's remaining contractual maturities for non-derivative financial liabilities. The amounts presented in the table are the undiscounted contractual cash flows of the financial liabilities, allocated to time bands based on the earliest date on which the group can be required to pay.

	< 6 months	6-12 months	1-5 years	Total contractual cash flows	Carrying amount
31-Dec-21	\$	\$	\$	\$	\$
Payables	308,791	-	-	308,791	308,791
Lease liabilities	41,436	41,435	135,656	218,527	218,527
Loan from ACR Equipment HK Co. Ltd.	-	696,000	-	696,000	696,000
Loan from Super Link Co. Ltd	-	-	2,480,706	2,480,706	2,480,706
Sundry creditors	246,885	-	933,126	1,180,011	1,180,011
	<u>597,112</u>	<u>737,435</u>	<u>3,549,488</u>	<u>4,884,035</u>	<u>4,884,035</u>
31-Dec-20					
Payables	166,872	441,515	-	608,387	608,387
Lease liabilities	45,540	-	-	45,540	45,540
Loan from ACR Equipment HK Co. Ltd.	-	286,000	-	286,000	286,000
Loan from Super Link Co. Ltd	-	-	2,337,055	2,337,055	2,337,055
Sundry creditors	155,826	-	736,932	892,758	892,758
	<u>368,238</u>	<u>727,515</u>	<u>3,073,987</u>	<u>4,169,740</u>	<u>4,169,740</u>

The payable to Welletin Investments Limited has been included in the above payables as a sundry creditor as it is a related party accrual for management fees. In the event that the Group encounters difficulty in meeting obligations associated with financial liabilities, the Welletin Investments Limited balance will not be called upon within 12 months.

#### *Foreign currency risk*

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency exposures. All Group's sales are denominated in the functional currency of the operating unit making the sale, whilst approximately 96% of cost of sales are denominated in the unit's functional currency. The Group does not seek to hedge this exposure.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The Group does not actively mitigate these risks nor does it have a strategy in place for the future to do so.

The balance of financial instruments at year end denominated in foreign currency is not material to the financial statements, therefore the Group is not exposed to material foreign currency risk. Therefore no sensitivity analysis has been performed.

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN: 54 007 254 346

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

### 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES– CONT'D

#### *Credit risk*

The Group's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet.

The Group minimizes credit risk in relation to cash balances by holding cash on deposit, bonds and bond funds with major banks.

The company minimises concentrations of credit risk in relation to trade accounts receivable by undertaking transactions with a large number of customers.

Terms and conditions relating to receivables:

- (a) Trade - Credit sales are on commercial terms and credit terms typically in Australia are up to 60 days from delivery.
- (b) Receivables from other persons are on commercial terms and in accordance with the region of operation.

Terms and conditions relating to bonds:

The Group has surplus cash in excess of working capital, in order to gain higher interest rates and also to maintain liquidity, the Group has invested in Bonds and Bond Funds in established banks. Refer to Note 9 for further details.

#### Fair Values

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements.

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN: 54 007 254 346

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

### 25. FAIR VALUE MEASUREMENTS

#### (a) Fair value hierarchy

Assets and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs for the asset or liability that are not based on observable market data.

<b>31 Dec 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Recurring Fair Value Measurements				
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	687,967	-	-	687,967
<b>Total financial assets</b>	<u>687,967</u>	<u>-</u>	<u>-</u>	<u>687,967</u>

<b>31 Dec 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Recurring Fair Value Measurements				
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	666,528	-	-	666,528
<b>Total financial assets</b>	<u>666,528</u>	<u>-</u>	<u>-</u>	<u>666,528</u>

### 26. SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 31 December 2021 which has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 December 2021, of the Group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 31 December 2021, of the Group.

# MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN: 54 007 254 346

## DIRECTORS' DECLARATION 31 DECEMBER 2021

The directors declare that the financial statements and notes set out on pages 10 to 38 in accordance with the *Corporations Act 2001*:

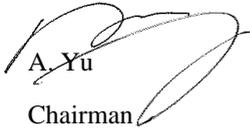
- a) Comply with Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and
- b) As stated in note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards;
- c) Give a true and fair view of the financial position of the Group as at 31 December 2021 and of its performance for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Multistack International Limited and controlled entities will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ending 31 December 2021.

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

Dated at Melbourne 25th day of March 2022.

  
A. Yu  
Chairman

  
S. Leung  
Director, CEO

## **Independent Auditor's Report to the Members of Multistack International Limited**

### **Report on the Audit of the Financial Report**

#### ***Opinion***

We have audited the financial report of Multistack International Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 31 December 2021, 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 2021 and of its 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 & 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 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 Company, as at the date 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.

#### ***Material Uncertainty Related to Going Concern***

Without modifying our opinion, we draw attention to Note 1(b) in the financial report, which indicates that the Group incurred a net loss after income tax of \$1,132,977 during the year ended 31 December 2021 and, as of that date, the Group had a net asset position of \$546,075 and a net cash outflow from operating activities of \$556,156. These conditions, along with the other matters set forth in Note 1(b), 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.

## Independent Auditor's Report to the Members of Multistack International Limited

### *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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Why significant	How our audit addressed the key audit matter
<p>Our audit focused on the carrying value of intangible assets as it is the largest asset on the Group's balance sheet.</p> <p>On 22 June 2020, the Group completed the purchase of the ORC Turbocor technology, related distribution rights and additional assets including supply and license agreements from Verdicorp Inc. for the value of AUD 3,113,182 after interest and foreign exchange.</p> <p>To date, the Group has received several offers of interests in respect of the ORC technology and is in the process of showcasing the technology to potential customers in 2022.</p> <p>Given the nature of the asset, there are assumptions and judgements concerning management's assessment of impairment, which are necessary to determine the carrying value of the intangible asset. Our audit focus in this area as a key audit matter was to consider whether the carrying value of the intangible asset is appropriate at balance date.</p>	<ul style="list-style-type: none"> <li>• Reviewed the loan/option agreements with Verdicorp Inc. to obtain an understanding of the assets purchased and their value.</li> <li>• Reviewed the contracts, court judgements, license and supply agreements, to obtain and understanding of the assets purchased and the Groups allocation of the purchased price.</li> <li>• Vouched funds paid to Verdicorp Inc. to bank statements and agreements.</li> <li>• Understanding and evaluating the controls over the valuation of the intangibles.</li> <li>• Reviewed the progress on various business negotiations over the use of the acquired technology.</li> <li>• Reviewed the irrecoverable offer from Super Link Company Limited for purchase of the Danfoss technology license and supply agreement and assessing the value of the offer with respect to the carrying value of the specific intangibles concerned.</li> </ul>

### *Other Information*

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2021 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 we do not express any form of assurance conclusion thereon.

## **Independent Auditor's Report to the Members of Multistack International Limited**

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 the other information we are required to report that fact. The annual report is expected to be made available to us after the date of this independent auditor's report.

### ***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 Group's ability 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

## Independent Auditor's Report to the Members of Multistack International Limited

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on the Remuneration Report

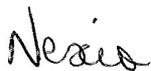
#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 5 to 6 of the Directors' Report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of Multistack International Limited for the year ended 31 December 2021 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.



**Nexia Melbourne Audit Pty Ltd  
Melbourne**



**Richard S. Cen  
Director**

Dated this 25<sup>th</sup> day of March 2022

## ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current at 24 February 2022.

### CLASS OF SHARES AND VOTING RIGHTS.

There are 562 registered holders of ordinary shares of the company. All ordinary shares carry one vote per share.

### TWENTY LARGEST SHAREHOLDERS.

Name	Number of shares held	% held	Substantial shareholder interest
Mr Siu Wai Yan	34,567,498	25.36	64,895,799
Mr S Leung Kwok Yin	28,405,454	20.84	64,895,799
Jin Qiao (Hong Kong) Investment Development Co Ltd	24,000,000	17.61	
Govinda Freedom Fund Pty Ltd <Super Govinda a/c>	10,500,000	7.70	
China Agents Ltd.	7,678,390	5.63	
Weyman Investment Ltd.	3,428,000	2.51	
Bull Equities Pty Ltd	2,500,000	1.83	
National Nominees Limited	1,999,900	1.47	
Wellein Investment Ltd.	1,672,000	1.23	64,895,799
BNP Paribas Noms Pty Ltd	1,369,119	1.00	
BNP Paribas Nominees Pty Ltd	1,206,394	0.89	
Miss Sarah Mauriks	1,100,000	0.81	
Mr Gabriel Govinda	700,000	0.51	
Mr Anthony Bohnenn	620,954	0.46	
Miss Bijuan Tan	515,000	0.38	
Angeline Pty Ltd <Goldner Super Fund Account>	500,000	0.37	
Recara Super Fund Pty Ltd <Recara Super Fund A/C>	500,000	0.37	
Mr Elliot Kwan	450,001	0.33	
Shootingfish Pty Ltd <Stone Cold Super Fund A/C>	450,000	0.33	
Mr Stephen Diplock	419,358	0.31	
<b>Total</b>	<b>122,582,068</b>	<b>89.93</b>	

The twenty largest shareholders hold 89.93% of the ordinary shares of the company.

Messrs. Yan and Leung through their interests in the above entities are registered as having a substantial shareholder interest. There is no on-market buy-back currently in progress.

### DISTRIBUTION OF SHAREHOLDERS

Ordinary shares

Range	Holders	Shares
1 - 1,000	66	36,762
1,001 - 10,000	269	1,231,872
10,001 - 100,000	180	6,345,120
100,001+	47	128,690,170
<b>TOTAL</b>	<b>562</b>	<b>136,303,924</b>

### DIVIDEND REINVESTMENT PLAN

This plan is currently suspended.

## ASX ADDITIONAL INFORMATION - continued

### CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Multistack International Limited has the responsibility for the corporate governance of the Group. The Board guides and monitors the business and the affairs of the Group on behalf of the shareholders.

The Corporate Governance Statement of Multistack International Limited is structured with reference to the Australian Stock Exchange Corporate Governance Council's principles set out in the 3rd Edition Recommendations. Directors and management of Multistack International Limited and controlled entities are committed to high standards of corporate governance. The Board of Directors oversee the consolidated entity and performs its functions on behalf of shareholders. The goals of good corporate governance adopted by the Directors and Management of Multistack International Limited and controlled entities are to ensure alignment of Directors and shareholders interests. The following principles are adopted.

	BEST PRACTICE RECOMMENDATION	COMMENT
<b>1.</b>	<b><i>Lay solid foundations for management and oversight</i></b>	
1.1	<p>A listed entity should disclose:</p> <ul style="list-style-type: none"> <li>a) the respective roles and responsibilities of its board and management; and</li> <li>b) those matters expressly reserved to the board and those delegated to management.</li> </ul>	<p>The Board of Directors of Multistack International Limited and controlled entities is responsible for the direction and supervision of the Company's businesses on behalf of the shareholders and the other stakeholders in the Company, including employees, lenders and the wider communities to which the Company belongs.</p> <p>Every year, the Board ordinarily reviews and approves a strategic plan for the Group and its one-year operating plan, including the annual operating and capital budgets. At each half-yearly meeting, the Board reviews progress against the strategic plan.</p> <p>The Board separately receives submissions from the management on major capital expenditures, acquisitions and disposals of significant assets or other material investment issues.</p>
1.2	<p>A listed entity should</p> <ul style="list-style-type: none"> <li>a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</li> <li>b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</li> </ul>	<p>The Company will undertake appropriate checks before appointing a person, or putting forward to shareholders a candidate for election, as a director; and</p> <p>The Company will provide shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p>
1.3	<p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>The Company has written agreements with each director and senior executive setting out the terms of their appointment.</p>
1.4	<p>The Company Secretary should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	<p>The Company Secretary is accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>

**ASX ADDITIONAL INFORMATION - continued**

**CORPORATE GOVERNANCE STATEMENT (CONT'D)**

<p>1.5</p>	<p>The Company should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company’s progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board in accordance with the Company’s diversity policy and its progress towards achieving them, and either:</p> <p>1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined “senior executive” for these purposes); or</p> <p>2) as a “relevant employer” under the Workplace Gender Equality Act, the Company’s most recent “Gender Equality Indicators”, as defined in and published under that Act.</p>	<p>The Company has a diversity policy and the relevant disclosures, please refer to page 53.</p> <p>The Company is not a “relevant employer” under the Workplace Gender Equality Act.</p>
<p>1.6</p>	<p>Disclose in the Corporate Governance section of its annual report or on its website:</p> <p>(a) its process for periodically evaluating the performance the board, its committees and individual directors; and</p> <p>(b) in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>There was no formal evaluation process of the performance of the Board, its committees and individual Directors.</p>
<p>1.7</p>	<p>Disclose in the Corporate Governance section of its annual report or on its website:</p> <p>(a) its process for periodically evaluating the performance of its senior executives; and</p> <p>(b) in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>There was no formal evaluation process of the performance of its senior executives.</p> <p>Payment of remuneration entitlements to senior executives are not performance based.</p> <p>Every year the Board requires a summary report from management on succession planning and management development.</p> <p>There has been no performance evaluation undertaken in 2021.</p>

**ASX ADDITIONAL INFORMATION - continued**

**CORPORATE GOVERNANCE STATEMENT (CONT'D)**

2.	<b><i>Structure the board to add value</i></b>	
2.1	<p>The Board should establish a nomination committee which:</p> <p>(a) has at least three members, a majority of whom are independent directors; and</p> <p>(b) is chaired by an independent director, and should disclose the charter of the committee on its website.</p> <p>The Company should disclose in the Corporate Governance section of its annual report or on its website:</p> <p>(a) the members of the nomination committee; and</p> <p>(b) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.</p>	<p>The Board has a Nomination Committee. The members of the Nomination Committee are Mr S. Yan and Mr S. Leung.</p> <p>The Nomination Committee has only two members and both are not independent directors. The Nomination Committee is not chaired by an independent director.</p> <p>There is no formal charter for the Nomination Committee.</p> <p>Given the size of the Board and the size of operations, the Board has considered the current composition appropriate and will consider appointment of more independent Directors as the operations expand.</p> <p>The Nomination Committee did not meet during the year 2021.</p>
2.2	<p>The Company should disclose in the Corporate Governance section of its annual report or on its website a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>The Company has disclosed the mix of skills and diversity of its Board. Please refer to Page 2 for the composition of its skill and experience of its various Board members.</p> <p>The Board considered the current composition appropriate for its size and operations.</p>
2.3	<p>The Company should disclose in the Corporate Governance section of its annual report or on its website:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type listed below but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>The Directors in office at the date of this statement are:</p> <ul style="list-style-type: none"> <li>- Allan Yu, Chairman &amp; Independent Non-executive Director; appointed as a member of the Board since 2004.</li> <li>- Siu Yan, Executive Director; appointed as a member of the Board since 1991.</li> <li>- Stephen Leung, Group CEO; appointed as a member of the Board since 1991.</li> <li>- Yim Chan, Executive Director; appointed as a member of the Board since 2002.</li> <li>- Terence Chu, Independent Non-executive Director; appointed as a member of the Board since 1999.</li> </ul>
2.4	<p>A majority of the board should be independent directors.</p>	<p>Of the five Board members, three Directors listed above are not considered to be independent. Therefore the majority of the Board are not independent. With the consideration of the industry experience and the specific expertise of its Board members, also the existing size of operations, the Board has considered the current composition adequate and will consider appointment of more independent Directors as the operations expand.</p>

**ASX ADDITIONAL INFORMATION - continued**

**CORPORATE GOVERNANCE STATEMENT (CONT'D)**

2.5	The chair should be an independent director and, in particular, should not be the same person as the CEO.	Mr Allan Yu is the Chairman of the Board who is an independent non-executive director while Mr Stephen Leung is an Executive Director and the Group CEO.
2.6	The Company should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	The Company has an induction program for new directors which introduces the company, its products and activities, this includes meeting with the CEO and its senior management.
<b>3.</b>	<b><i>Act ethically and responsibly</i></b>	
3.1	A listed entity should articulate and disclose its values.	The Company is a for-profit entity, the Company and its team will act lawfully, ethically and responsibly when attempting to achieve this goal.
3.2	A listed entity should: (a) have and disclose a code of conduct for its directors, senior executives and employees; and (b) ensure that the board or a committee of the board is informed of any material breaches of that code.	The Company does not have a formal code of conduct because it believes that a more effective means of actively promoting ethical and responsible decision making is for the Board and senior management team to build, through their own actions, an ethical culture.
3.3	A listed entity should: (a) have and disclose a whistleblower policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.	The Company does not have a whistleblower policy, nevertheless its employees may report to the Board about any unlawful, unethical or irresponsible behaviour within the organisation.
3.4	A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or a committee of the board is informed of any material breaches of that policy.	The Company does not have an anti-bribery and corruption policy, nevertheless the Board acknowledges the serious criminal and civil penalties that may be incurred and the reputational damage that may be done if the organisation is involved in bribery or corruption, the Board requires such breaches to be reported to the appropriate person or body within the organisation.

**ASX ADDITIONAL INFORMATION - continued**

**CORPORATE GOVERNANCE STATEMENT (CONT'D)**

<b>4.</b>	<b><i>Safeguard integrity in corporate reporting</i></b>	
4.1	<p>The board should establish an audit committee which.</p> <p>(a) has at least three members, all of whom are non-executive independent directors; and</p> <p>(b) is chaired by an independent director who is not the chair of the board,</p> <p>and should disclose the charter of the committee on its website.</p> <p>The Company should disclose in the Corporate Governance section of its annual report or on its website:</p> <p>(a) the relevant qualifications and experience of the members of the committee; and</p> <p>(b) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.</p>	<p>The Board has an Audit Committee.</p> <p>Mr T. Chu (Independent Non-executive director) chairs the Audit Committee. The members of the audit committee were: Mr T. Chu and Mr A. Yu. Both members are non-executive and independent directors.</p> <p>There are only 2 members whilst Recommendation 4.1 suggested the Audit Committee to have at least three members, with the consideration of the existing size of operations and the size of the Board, the Board has considered the current composition adequate and will consider appointment of more members as the operations expand.</p> <p>There is no formal charter for the audit committee.</p> <p>The relevant qualifications and experience of the members of Audit Committee are disclosed at Page 2 of this annual report.</p> <p>The Audit Committee met on 24 February 2021 and 18 August 2021.</p>
4.2	<p>The board should, before it approves the financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the Group have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group, and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>The Board will before it approves the financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the Group have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group, and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>
4.3	<p>A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.</p>	<p>The Company provides periodically audited or reviewed financial statements, the Company will state any periodic corporate report it releases to the market if that is not audited or reviewed by an external auditor.</p>
<b>5</b>	<b><i>Make timely and balanced disclosure</i></b>	
5.1	<p>A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.</p>	<p>The Audit Committee monitors the Company's compliance with the Continuous Disclosure policies of the Australian Stock Exchange and oversees the Company's annual reports, media and ASX announcements.</p> <p>The Company adheres to the continuous disclosure requirements of the ASX as a means of continually communicating with shareholders</p>
5.2	<p>A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.</p>	<p>The Board will receive copies of all material market announcements promptly after they have been made.</p>
5.3	<p>A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.</p>	<p>The Company will give any of such presentation materials on the ASX Market Announcements Platform ahead of any presentation to new and substantive investor or analyst.</p>

**ASX ADDITIONAL INFORMATION - continued**

**CORPORATE GOVERNANCE STATEMENT (CONT'D)**

<b>6.</b>	<b><i>Respect the rights of security holders</i></b>	
6.1	The Company should provide information about itself and its governance to investors via its website	The Board is responsible for the governance of the Company. The Company has information about itself and its products at its website.
6.2	The Company should design and implement an investor relations program to facilitate effective two-way communication with investors.	The Company does not have investor relations program, investors may write in for queries about the company. The Company at the AGM will meet its shareholders and investors, either at the AGM venue or virtually via Zoom platform, and respond to their enquiries.
6.3	The Company should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	All shareholders are invited to attend its AGM, either in person or by representatives, either at the AGM venue or virtually via Zoom platform be in the forum in which to discuss issues relevant to the Company.
6.4	A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	The Company has all substantive resolutions at a meeting of security holders decided by a poll.
6.5	The Company should give shareholders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Shareholders are able to contact the Company or its share registrar, Computershare, by mail, telephone or email. Shareholders may choose to receive communication from and send communications to, the Company and Computershare electronically.
<b>7.</b>	<b><i>Recognise and manage risk</i></b>	
7.1	The Company needs to have a risk committee which: (a) has at least three members, a majority of whom are independent directors; and (b) is chaired by an independent director, and should disclose the charter of the committee on its website. The Company should disclose in the Corporate Governance section of its annual report or on its website: (a) the members of the committee; (b) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.	Given the size and nature of the operations, there is no Risk Committee. The Board oversees the management of business risks and internal control. The Board identifies, assesses and monitors business risks by considering such matters during Board meetings and through discussions with senior management on an informal basis. Minutes of discussions are documented within Board meeting minutes.
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	The Board has reviewed its risk management framework and risk profile for the Company during the year.

**ASX ADDITIONAL INFORMATION - continued**

**CORPORATE GOVERNANCE STATEMENT (CONT'D)**

7.3	<p>The Company should disclose in the Corporate Governance section of its annual report or on its website:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>The Company does not have an internal audit function.</p> <p>The Audit Committee oversees and assesses the Company's internal compliance and control systems and processes.</p>
7.4	<p>The Company should disclose in the Corporate Governance section of its annual report or on its website whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>The Board oversees the management to identify and manage various business risks including economic risk.</p> <p>The Board is satisfied that there has been no material exposure to economic risk.</p> <p>The Company is not subject to material exposure to Environmental sustainability and Social sustainability risks.</p>
<p><b>8. Remunerate fairly and responsibly</b></p>		
8.1	<p>The Company needs to have a remuneration committee which:</p> <p>(a) has at least three members, a majority of whom are independent directors; and</p> <p>(b) is chaired by an independent director,</p> <p>and should disclose the charter of the committee on its website. The Company should disclose in the Corporate Governance section of its annual report or on its website:</p> <p>(a) the members of the committee; and</p> <p>(b) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.</p>	<p>The Board has a Remuneration Committee.</p> <p>Mr T. Chu (Independent Non-executive director) chairs the Remuneration Committee. The members of the Remuneration committee are Mr T. Chu and Mr A. Yu. Both members are independent directors.</p> <p>There is no formal charter for the remuneration committee.</p> <p>There are only 2 members whilst Recommendation 8.1 suggested the Remuneration Committee to have at least three members, with the consideration of the existing size of operations and the size of the Board, the Board has considered the current composition adequate and will consider appointment of more independent members as the operations expand.</p> <p>The Remuneration Committee did not meet during the year as remuneration policies were not reviewed.</p>
8.2	<p>The Company should disclose in the Corporate Governance section of its annual report or on its website its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>This information is set out in the Remuneration Report section of the Directors' Report.</p> <p>The non-executive directors do not receive remuneration entitlements and this is clearly separated from the remuneration of the executives.</p>
8.3	<p>If the Company has an equity-based remuneration scheme, then it should disclose this in the Corporate Governance section of its annual report or on its website its policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.</p>	<p>The Company does not have an equity-based remuneration scheme.</p>

**ASX ADDITIONAL INFORMATION - continued**

**CORPORATE GOVERNANCE STATEMENT (CONT'D)**

9.1	A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.	The Board and all its fellow directors speak the language in which board or security holder meetings are held or key corporate documents are written and all directors understand and can contribute to the discussions at those meetings and understand and can discharge their obligations in relation to those documents.
9.2	A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.	The Company is established in Australia and it holds its meetings of security holders in Australia at a reasonable place and time.
9.3	A listed entity established outside Australia, and an externally managed listed entity that has an AGM, should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	The Company is established in Australia and holds its meetings of security holders in Australia; an external auditor will attend its AGM and is available to answer questions from security holders relevant to the audit.

The above principles were in place throughout the financial year ending 31 December 2021, with some exceptions of the departures from the Corporate Governance Council recommendations as detailed above, the corporate governance practices of Multistack International Limited and controlled entities were compliant with the Council’s recommendations.

**DIVERSITY POLICY**

Multistack has adopted a diversity policy on 21 May 2012.

Broadly, the measurable diversity objectives of Multistack are as follows:

- Multistack states and, where necessary, will regularly re-state that there are no forms of discrimination / bias in considering anyone for a position with the Multistack Group, i.e. on grounds of gender, age, physical appearance, origins, race, religion, marital status, sexual preference, pregnancy or likely pregnancy, political leanings, disabilities or otherwise;
- All new appointments or promotion / career enhancement and remuneration is on the basis of merit and ability to carry out the work responsibilities;
- Within the broad ambit of ensuring that the Multistack Group’s activities are best developed and to ensure harmony of working within the Multistack Group that there be flexibility in working hours to enable domestic / private lives to allow for a balance between career and family obligations; and
- Consideration will be given to job sharing and time flexibility wherever that is practically possible.

Consistent with the reporting requirements of the ASX Corporate Governance Principles and Recommendations, the table below provides details of the gender diversity within Multistack and its controlled entities.

Level	Male		Female		Total
	Number	%	Number	%	
<b>Board</b>	4	80	1	20	<b>5</b>
<b>Other staff</b>	2	50	2	50	<b>4</b>
<b>Total</b>	6	67	3	33	<b>9</b>