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CORPORATE GOVERNANCE STATEMENT

Our corporate governance practices are based on the principles and recommendations set out in the Corporate Governance Council’s Principles and Recommendations, 3rd Edition issued by the Australian Securities Exchange Corporate Governance Council, which we had modified to take into account the Company’s current size and scale of its operations. Our corporate governance statement is prepared on the “if not, why not” basis.

Principle and Recommendations	Description	Compliant
Principle 1 – Lay solid foundations for management and oversight		
Establish the functions expressly reserved to the board and those delegated to management, and disclose those functions.	<ul style="list-style-type: none"> The Board operates under a Board Charter. The Board Charter sets out the roles and responsibilities of the Board and management. The Board’s primary role is the protection and enhancement of long-term shareholder value. The Board’s responsibilities are set out in the Board Charter. The Board delegates the day-to-day management of the Company to the CEO and senior management. However, overall responsibility of the direction, and financial wellbeing of the Company rests with the Board. 	Y
Undertake appropriate checks before appointing a person as a director, and provide shareholders with all material information relevant to a decision on whether or not to elect or re-elect a director.	<ul style="list-style-type: none"> The Board ensures that appropriate checks are undertaken before it appoints a person or puts forward to security holders a new candidate for election, as a director. This includes checks as to the person’s character, experience, education, criminal record and bankruptcy history. 	Y
Have a written agreement with each director and senior executive setting out the terms of their appointment.	<ul style="list-style-type: none"> Each of the Company’s directors and senior executives have entered into service contracts or, where appropriate, a letter of appointment. 	Y
The company secretary should be accountable directly to the board on all matters to do with the proper functioning of the board.	<ul style="list-style-type: none"> The company secretary is accountable directly to the board. Each director is able to communicate directly with the Company secretary and vice versa. 	Y

Principle and Recommendations	Description	Compliant
<p>Establish a diversity policy and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them, for reporting against in each reporting period.</p>	<ul style="list-style-type: none"> The diversity policy for the Company has only recently been established and accordingly, the Company has not reported on measurable objectives in any annual report to date. 	Y
<p>Have a process for periodically evaluating the performance of the board, its committees and individual directors, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.</p>	<ul style="list-style-type: none"> The Company has a Board Performance Evaluation Policy. The corporate governance policies provide for regular performance reviews to be conducted. The Company intends to evaluate performance of the Board and disclose for each reporting period whether an evaluation has been undertaken. 	Y
<p>Have a process for periodically evaluating the performance of the company's senior executives, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.</p>	<ul style="list-style-type: none"> The Board's broad function is to formulate strategy and set financial targets for the Company, monitor the implementation and execution of strategy and performance against financial targets, appoint and oversee the performance of executive management, and generally take an effective leadership role in relation to the Company. The Chairman, with assistance from the Nomination and Remuneration Committee, annually assesses the performance of Directors and senior executives, and the Chairman's performance is assessed by the other Directors. 	Y
<p>Principle 2 – Structure the Board to add value</p>		
<p>The company should have a nomination committee, which has at least three members, a majority of independent directors and is chaired by an independent director.</p> <p>The functions and operations of the nomination committee should be disclosed.</p>	<ul style="list-style-type: none"> The Board has established a Nomination and Remuneration Committee which is responsible for assisting the Board to fulfil its corporate governance responsibilities in regard to nomination and remuneration matters. The committee has at least three members, all of whom are independent Directors. The committee will be chaired by an independent Director. The Nomination and Remuneration Committee Charter outlines the committee's authority, duties, responsibility and relationship with the Board and will be available on Aobo's Corporate Website. The Annual Report will provide details on the members of the committee, the number of times the committee met throughout the relevant period and the individual attendances of the members at those meetings. 	Y
<p>Have and disclose a board skills matrix, setting out what the board is looking to achieve in its membership.</p>	<ul style="list-style-type: none"> The Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the Company and its business. 	Does not presently comply, however the Board

Principle and Recommendations	Description	Compliant
		intends to formalise a skills matrix.
Disclose the names of the directors that the board considers to be independent directors, and an explanation of why the board is of that opinion if a factor that impacts on independence applies to a director, and disclose the length of service of each director.	<ul style="list-style-type: none"> Andrew Smith, Andrew Thomson and Brendan Connell are independent Directors. Zhang Jiangang is deemed not independent because he is a major shareholder and executive director in the Company. 	Y
A majority of the board should be independent directors	<ul style="list-style-type: none"> The Board has four members, of whom three (Andrew Thomson, Andrew Smith, and Brendan Connell) are independent Non-Executive Directors. 	Y
The Chair of the board should be an independent director and should not be the CEO	<ul style="list-style-type: none"> The Chairman, Andrew Smith, is an independent Director and is not the same individual as the CEO. 	Y
There should be a program for inducting new directors and providing appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	<ul style="list-style-type: none"> The Nomination and Remuneration Committee regularly reviews whether the Board has the appropriate skills, knowledge and familiarity with the Company and its operating environment. If and when gaps are identified the Company will provide suitable training or development to fill those gaps. 	Y
Principle 3 – Act ethically and responsibly		
Have a code of conduct for the board, senior executives and employees, and disclose that code or a summary of that code.	<ul style="list-style-type: none"> Aobo has adopted a Code of Conduct, which sets out a framework to enable Directors to achieve the highest possible standards in the discharge of their duties and to give a clear understanding of best practice in corporate governance. 	Y
Principle 4 – Safeguard integrity in corporate reporting		
The company should have an audit committee, which consists of only non-executive directors, a majority of independent directors, is chaired by an independent chairman who is not chairman of the board, and has at least three members. The functions and operations of the audit committee should be	<ul style="list-style-type: none"> Aobo has established an Audit and Risk Management Committee. The Audit and Risk Management Committee comprises of three Non-Executive Directors, all of whom are independent directors. The chair of the Audit and Risk Management Committee is an independent Non-Executive Director. 	Y

Principle and Recommendations	Description	Compliant
disclosed.		
The board should, before approving financial statements for a financial period, receive a declaration from the CEO and CFO that, in their opinion, the financial records 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 company, formed on the basis of a sound system of risk management and internal controls, operating effectively.	<ul style="list-style-type: none"> • Before the Board approves the consolidated financial statements for each financial period, the group's CEO and CFO provide a declaration that, in their opinion, the financial records 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 entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. 	Y
The company's auditor should attend the AGM and be available to answer questions from security holders relevant to the audit.	<ul style="list-style-type: none"> • The Company will make every effort to ensure its external auditor attends the AGM and is available to answer questions from security holders relevant to the audit. 	Y
Principle 5 – Make timely and balanced disclosure		
Have a written policy for complying with continuous disclosure obligations under the ASX Listing Rules, and disclose that policy or a summary of it.	<ul style="list-style-type: none"> • The Company has a Continuous Disclosure Policy which is designed to ensure that all material matters are appropriately disclosed in a balanced and timely manner and in accordance with the requirements of the NSX Listing Rules and Corporations Act 2001(Cth). 	Y
Principle 6 – Respect the rights of security holders		
Provide information about the Company and its governance to investors via its corporate website.	<ul style="list-style-type: none"> • The corporate governance policies are available on the Company's website. 	Y
Design and implement an investor relations program to facilitate effective two-way communication with investors.	<ul style="list-style-type: none"> • The Company has a Shareholder Communication Policy. It aims to ensure that all shareholders are well informed of the Company's major developments and that the full participation by shareholders at the Company's AGM is facilitated. 	Y
Disclose the policies and processes in place to facilitate and encourage participation at meetings of security holders.	<ul style="list-style-type: none"> • The Company utilises appropriate technology at its General Meetings to facilitate the participation of security holders in meetings. • The Company also encourages security holders who are not able to attend the meeting to provide questions or comments ahead of the meeting. Where appropriate, these questions are then answered at the meeting. 	Y

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<p>Give security holders the option to receive communications from, and send communications to, the Company and its share registry electronically.</p>	<ul style="list-style-type: none"> The Company actively encourages shareholders to provide their e-mail address to the Company to facilitate increased effective communication. The Company's share registry also has e-communication capabilities that allow it to communicate electronically with security holders when appropriate. 	Y
Principle 7 – Recognise and manage risk		
<p>The board should have a risk committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members.</p> <p>The functions and operations of the risk committee should be disclosed.</p>	<ul style="list-style-type: none"> The Company has established an Audit and Risk Management Committee. The Audit and Risk Management Committee comprises of three directors, all of whom are independent directors. The chair of the Audit and Risk Management Committee is an independent non-executive director. The Charter of the Audit and Risk Management Committee is available on the Company's website. The role and operations of the committee are established under the charter. 	Y
<p>The board or a committee of the board should review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, and disclose, in relation to each reporting period, whether such a review has taken place.</p>	<ul style="list-style-type: none"> The Audit and Risk Management Committee periodically reviews the Company's risk management framework to satisfy itself that it continues to be sound and that the Company is operating appropriately. 	Y
<p>Disclose if the Company has an internal audit function, how the function is structured and what role it performs, or if it does not have an internal audit function, that fact and the processes the Company employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<ul style="list-style-type: none"> The Company does not have a formal internal audit function, however it employs appropriate processes for evaluating and continually improving the effectiveness of its risk management and internal control processes as set out in the Audit and Risk Management Committee Charter. 	Y
<p>Disclose whether the Company has any material exposure to economic, environmental and social sustainability risks and, if so, how it manages those risks.</p>	<ul style="list-style-type: none"> The Audit and Risk Management Committee evaluates, reports and provides assurance to the board in respect of any identified material exposure to economic, environmental and social sustainability risks. 	Y
Principle 8 – Remunerate fairly and responsibly		

Principle and Recommendations	Description	Compliant
<p>The board should have a remuneration committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members.</p> <p>The functions and operations of the remuneration committee should be disclosed.</p>	<ul style="list-style-type: none"> • The Company has established a Remuneration and Nomination Committee. The committee has at least three members, all of whom are independent Directors and is chaired by an independent Non-Executive Director. • The Remuneration and Nomination Committee is responsible for assisting the Board to fulfil its corporate governance responsibilities in regard to remuneration and nomination matters. • The Remuneration and Nomination Committee Charter outlines the committee’s authority, duties, responsibility and relationship with the Board and is available on the Company’s website. 	Y
<p>The policies and practices regarding the remuneration of non-executive directors, and the remuneration of executive directors and other senior executives, should be separately disclosed.</p>	<ul style="list-style-type: none"> • Aobo intends to adopt remuneration policies which include separately disclosing the remuneration of Non-Executive Directors, and the remuneration of executive Directors and other senior executives. • No Director or senior executive is involved directly in deciding their own remuneration. 	Does not presently comply, however the Company intends to disclose these policies and practices in its future annual reports.
<p>If the Company has an equity- based remuneration scheme, it should have a 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, and disclose that policy or a summary of it.</p>	<ul style="list-style-type: none"> • The Company does not have an equity-based remuneration scheme. 	Y

DISTRIBUTION SCHEDULE

Units held	Number of investors	Total number securities	Percentage of total issued
1 - 1,000	0	0	0.00%
1,001 - 5,000	0	0	0.00%
5,001 - 10,000	49	390000	0.20%
10,001 - 100,000	2	32000	0.02%
100,001 - and over	32	195110000	99.78%
Totals	83	195532000	100.00%

TOP 10 SHAREHOLDERS

Investor	Total	% of total
MU XIANHONG	51300000	26.24%
ZHANG JIANGANG	38000000	19.43%
ZHANG FENG	28348000	14.50%
ZHANG JIE	19608000	10.03%
WU YACHENG	6156000	3.15%
LU JIALIANG	6156000	3.15%
ZHANG AIJUN	4417440	2.26%
ZHAO CHUNMEI	4182960	2.14%
Mr SUOSHAN GAO	3250000	1.66%
ZHOU ZINIU	2945000	1.51%



Andrew Smith
Chairman
Aobo Environmental Technology Limited