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

FINANCIAL REPORT
For the Half-Year ended 30 June 2024

This half-year financial report is to be read in conjunction with the financial report for the year ended 31 DECEMBER 2023

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Directors' Report

The Directors present their report together with the condensed financial report of the Group, consisting of Multistack International Ltd ("the Company") and its controlled entities, for the half-year ended 30 June 2024 and the Independent Auditor's review report thereon. This financial report has been prepared in accordance with Australian Accounting Standard AASB:134 *Interim Financial Reporting.*

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

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

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

Review of operations

	January – June 2024 A$	January - June 2023 A$
Revenue from ordinary activities	205,332	1,467,236
Operating loss before tax	(851,104)	(502,188)

The Group has made a loss of $851,104 before tax (2023: loss of $502,188). The revenue was down to $205,332 from $1,467,236.

The trading entity Multistack Australia Pty Ltd has incurred a loss for the six months ending 30 June 2024. As reflected in the sales revenue, there has been few orders in the first six months of 2024. We noted the consumers are generally more concerned about capital expenditure given the current uncertain economic conditions, we do expect a slow and little growth in demand for our chiller products.

The Company has commenced a design upgrade program to improve its costs and features for both the modular and oil free chillers so that our products would be more competitive when the general economy in the country continues to recover gradually. As mentioned in the last financial report, the Company continued to work on a new series of oil free machine to cope with the data centre industry. A prototype of such has been developed by our supplier in China.

There has not been much progress with the re-engineering of the ORC technology, as new development would require more information and support from Danfoss as stated per the license agreement made between Verdicorp and Danfoss. Unfortunately, Danfoss has not fulfilled its commitment to the Company. The Company has now referred its claims to arbitration in the US, the local arbitration court has accepted the case against Danfoss with proceedings to the hearing. The Company's US lawyers are currently in the progress of negotiation on settlement terms with Danfoss.

On the other hand, the Company has been receiving enquiries from overseas for the retrofits or parts replacement for the ORC units. One inquiry from Japan in June was about the supply of more than 10 units of ORC modules. The quote prepared for the customer in July this year was in the budget range of about US$4.0 millions.

For the technology development, the Company is working closely with Mr Ron Conry about developing the second generations of the chiller and ORC products to meet the industry requirements in terms of environmental friendly and low carbon emission standards. Another opportunity for the oil free chiller is in the marine applications. Mr Ron Conry has proposed an inquiry in June this year for retrofitting 10 units of oil free compressor indicating a practical interest existing in the marine industry.

In the coming months, the Company will expect to reach a settlement with Danfoss. The Company will expect to have the opportunity to do service and repair work for the Danfoss Turbocor compressors in different parts of the world. This will likely allow the Company to operate a new service business. Should there be no settlement with Danfoss, the Company will apply resumption of the hearing of the arbitration as soon as possible. The Company will advise shareholders of any material developments, and the outcome of the settlement terms as required.

Significant Changes in State of Affairs

There have been no other significant changes in the consolidated group's state of affairs for the half year ended 30 June 2024.

Rounding of amounts

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

Auditor's independence declaration

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

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

A. Yu
Chairman
Melbourne, 21 August 2024

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

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2024 there has been:

a. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and

b. no contraventions of any applicable code of professional conduct in relation to the review.

Nexia Melbourne Audit Pty Ltd
Melbourne

Richard S. Cen
Director

Dated this 21st day of August 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Half-Year Ended 30 June 2024

	Half-year	
	30 June 2024	**30 June 2023**
	$	**$**
Continuing Operations		
Sale of goods	205,332	1,467,236
Total Revenue	**205,332**	**1,467,236**
Cost of sales	(158,345)	(1,176,562)
Gross Profit	**46,987**	**290,674**
Other Income	**3,076**	**3**
Employee benefits expenses	(191,994)	(176,922)
Administrative expenses	(364,495)	(381,509)
Professional fees	(199,788)	(149,375)
Foreign currency losses	(144,890)	(85,059)
Total Expenses	**(901,167)**	**(792,865)**
(Loss) before income tax	**(851,104)**	**(502,188)**
Net (Loss) attributable to members of the parent entity	**(851,104)**	**(502,188)**
Total Comprehensive (Loss) attributable to:		
Members of the parent	(851,104)	(502,188)
	(851,104)	**(502,188)**
Basic and Diluted (Loss) per share	**$(0.0062)**	**$(0.0037)**

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position
As at 30 June 2024

	30 June 2024 $	31 December 2023 $
Current assets		
Cash and cash equivalents	1,162,859	646,816
Trade and other receivables	27,747	47,336
Inventories	34,714	62,333
Deposit / Bond for property	17,612	17,612
Total current assets	**1,242,932**	**774,097**
Non-current assets		
Intangible assets	2,478,134	2,478,134
Right-of-use assets	319,159	42,999
Total non-current assets	**2,797,293**	**2,521,133**
Total assets	**4,040,225**	**3,295,230**
Current liabilities		
Trade and other payables	2,174,267	1,927,295
Lease liabilities	107,524	46,664
Loan from A.C.R. Equipment (HK) Limited	1,677,280	696,000
Loan from Super Link Company Limited	2,717,392	2,631,579
Provisions	181,613	164,414
Total current liabilities	**6,858,076**	**5,465,952**
Non-current liabilities		
Lease liability	211,635	-
Provisions	-	7,660
Total non-current liabilities	**211,635**	**7,660**
Total liabilities	**7,069,711**	**5,473,612**
Net liabilities	**(3,029,486)**	**(2,178,382)**
Equity		
Contributed equity	156,838,695	156,838,695
Accumulated losses	(159,868,181)	(159,017,077)
Capital deficiency	**(3,029,486)**	**(2,178,382)**

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity
For the Half-Year ended 30 June 2024

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

	Attributable to equity holders of the parent entity		
	Contributed equity	**Accumulated Losses**	**Total**
CONSOLIDATED	**$**	**$**	**$**
At 1 January 2024	**156,838,695**	**(159,017,077)**	**(2,178,382)**
Loss for the period	-	(851,104)	(851,104)
Total comprehensive loss for the half-year	**-**	**(851,104)**	**(851,104)**
At 30 June 2024	**156,838,695**	**(159,868,181)**	**(3,029,486)**

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows
For the Half-Year ended 30 June 2024

	Half-year 2024 $	Half-year 2023 $
Cash flows from operating activities		
Receipts from customers	244,567	1,597,623
Payments to suppliers and employees	(665,727)	(2,002,949)
Interest received	3,073	-
Net cash used in operating activities	**(418,087)**	**(405,326)**
Cash flows from investing activities		
Net cash used in investing activities	**-**	**-**
Cash flows from financing activities		
Proceeds from borrowings	981,280	-
Repayments of lease liabilities	(47,150)	(46,226)
Net cash used in financing activities	**934,130**	**(46,226)**
Net increase/(decrease) in cash and cash equivalents	**516,043**	**(451,552)**
Cash and cash equivalents at beginning of period	646,816	1,470,062
Cash and cash equivalents at end of period	**1,162,859**	**1,018,510**

The accompanying notes form part of these financial statements

Notes to the Half-Year Financial Statements 30 June 2024

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

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

It is recommended that this half-year financial report be read in conjunction with the financial report for the year ended 31 December 2023 and any public announcements made by Multistack International Ltd during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*. Multistack International Ltd is a for-profit entity for the purpose of preparing the financial statements.

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

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

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

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

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

The accounting policies applied in this half year financial report are consistent with those of the annual financial report for the year ended 31 December 2023.

(b) Principles of Consolidation

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

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

(c) Rounding of amounts

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

Notes to the Half-Year Financial Statements (continued)

(d) Going Concern

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

The Group recorded a loss from continuing operations for the half year ended 30 June 2024 of $851,104 (2023: loss of $502,188) and reported net cash outflows from operating activities of $418,087 (2023: outflows of $405,326).

The Group has a deficiency of working capital of $5,615,144 (2023: deficiency $1,630,021) and a deficiency of net tangible assets of $5,507,620 (2023: deficiency $4,260,436).

The trading entity Multistack Australia Pty Ltd has incurred a loss for the six months ending 30 June 2024. The decrease in sales revenue, the rising material costs and shipping costs have affected our overall margin.

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

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

As at 30 June 2024, the Group has deficiency in net assets of $3,029,486 (2023: deficiency $1,788,483), which includes current liability of HKD 7,920,000 (AUD $1,531,589) to Welletin Investments Ltd, a Director related entity, and two further unsecured loans of AUD $696,000 and USD 650,000 (AUD 981,280) to A.C.R. Equipment (HK) Limited, another Director related entity. The Group has obtained letters of undertaking from both related entities confirming that they will not call upon the amounts payable by the Group, for at least 12 months from the date of signing the Group's financial report for the half year ended 30 June 2024.

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

The Company advised that on 16 August 2023 it entered into extensions of the Agreements with Super Link, extending the term of the Loan Agreement and the sunset date for the Asset Sale Deed until 30 November 2024. The loan as at 30 June 2024 was USD 1,800,000 plus accrued interest of USD 360,000 (total at AUD 3,260,870). All other terms of the Agreements remain the same following the Variations. Similarly, there is also an undertaking that Super Link Company Limited will not call upon the amounts payable by the Group, for at least 12 months from the date of signing the Group's financial report for the half year ended 30 June 2024.

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

(d) Going Concern - continued

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

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

(e) New Accounting Standards Issued But Not Yet Effective

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

(f) Fair Value Measurements

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

(g) Separately acquired intangible assets

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

2. Significant items

During the first half year in 2024 the Group is continuing to work on its strategy in connection with the marketing and selling its ORC products in Australia and overseas, however, this is taking longer than expected.

In the coming months, the Company will expect to reach a settlement with Danfoss. Should there be no settlement with Danfoss, the Company will apply resumption of the hearing of the arbitration as soon as possible.

3. Dividends Paid or provided for on Ordinary Shares

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

4. Contingent Assets and Liabilities

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

5. Segment Information

(a) Description of segments

The consolidated entity has two reportable segments as described below:

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

Segment 2: Passive investment operations through wholly owned subsidiary – Option King Ltd.
The investment with Bank of Singapore was liquidated in September 2022, proceeds from investment are cash in hand held at HSBC bank in Hong Kong. All operating segments have been identified based on internal reports reviewed by the Consolidated Entity's chief executive officer in order to allocate resources to the segment and assess its performance.

(b) Segment information

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

30 June 2024	**Segment 1**	**Segment 2**	**Total**
	$	**$**	**$**
Segment revenue from external source	205,332	-	205,332
Segment result from external source	(850,669)	(435)	(851,104)
Total segment assets	2,992,193	1,048,032	4,040,225
Total segment liabilities	(7,069,711)	-	(7,069,711)
30 June 2023			
Segment revenue from external source	1,467,223	16	1,467,239
Segment result from external source	(502,031)	(157)	(502,188)
Total segment assets	3,261,633	626,385	3,888,018
Total segment liabilities	(5,676,501)	-	(5,676,501)

6. Subsequent Events

In the coming months, the Company will expect to reach a settlement with Danfoss. Should there be no settlement with Danfoss, the Company will apply resumption of the hearing of the arbitration as soon as possible.

Other than the abovementioned, there has been no matter or circumstance, which has arisen since 30 June 2024 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2024, of the Consolidated Entity, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2024, of the Consolidated Entity.

Directors' Declaration
30 June 2024

In accordance with a resolution of the Directors of Multistack International Limited, we state that:

In the opinion of the directors:

(a) The financial statements and notes set out on pages 6 to 14 are in accordance with the *Corporations Act 2001* including:

(i) Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and

(ii) Giving a true and fair view of the financial position of the consolidated entity as at 30 June 2024 and of its performance for the half-year ended on that date, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and

(b) There are reasonable grounds at the date of this declaration, to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the Board

A. Yu
Chairman
Melbourne
21 August 2024

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Multistack International Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Multistack International Limited ("the Company") and its controlled entities ("the Group"), which comprises the Consolidated Statement of Financial Position as at 30 June 2024, the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Multistack International Limited does not comply with the *Corporations Act 2001* including:

i) giving a true and fair view of Multistack International Limited's financial position as at 30 June 2024 and of its performance for the half-year ended on that date; and

iii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty related to going concern

Without modifying our conclusion expressed above, we draw attention to Note 1 (d) in the half-year financial report, which indicates that the Group incurred a loss from continuing operations for the half year ended 30 June 2024 of $851,104 (2023: loss of $502,188) and reported net cash outflows from operating activities of $418,087 (2023 outflows of $405,326). The Group has a deficiency of working capital of $5,615,144 (2023 deficiency of $1,630,021) and a deficiency of net tangible assets of $5,507,620 (2023: deficiency $4,260,436)

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* has been given to the directors of the Group, as at the date of this auditor's review report.

Responsibility of the Directors for the Financial Report

The directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2024 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Nexia Melbourne Audit Pty Ltd
Melbourne

Richard S. Cen
Director

Dated this 21st day of August 2024