NANOPAC INNOVATION LTD

ARBN 16 9020 580

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

CONTENTS

DIRECTORS GOVERNANCE STATEMENT

The Board has the responsibility of ensuring that the Company is properly managed so as to protect and enhance shareholders' interests in a manner that is consistent with the Company's responsibility to meet its obligations to governance policies with which it interacts. To this end, the Board has adopted what it believes to be appropriate corporate governance policies and practices having regard to its size and nature of activities.

The main corporate governance policies are summarised below:

Director's Access to Independent Advice

It is the Board's policy that any committees established by the Board should:

- Be entitled to obtain independent professional or other advice at the cost of the Company, unless the Board determines otherwise.
- Be entitled to obtain such resources and information from the Company including direct access to employees of and advisers to the Company as they might require.
- Operate in accordance with the terms of reference established by the Board.

Audit Committee and Risk

The Committee consists Mr Tung Ken Tang (Director) and the Chief Financial Officer of the company's main operating subsidiary, Nanopac (M)Sdn Bhd, Mr Tony Hoo Swee Seong Mun. Mr Tung Ken Tang chairs the committee.

The Committeee meets with the external auditors at least once a year. The specific activities include assessing and monitoring:

- The adequacy of the Company's internal controls and procedures to ensure compliance with all applicable legal obligations.
- The adequacy of the financial risk management processes.
- The appointment of the external auditor, any reports prepared by the external auditor and listing with the external auditor.

Remuneration and Management Succession Planning Committee

The Committee consists Mr Tung Ken Tang (Director) and the Chief Financial Officer of the company's main operating subsidiary, Nanopac (M)Sdn Bhd, Mr Tony Hoo Swee Seong Mun. Mr Tung Ken Tang chairs the committee.

The Committee in fulfils its repsonsibilities by:

- Reviewing and approving the executive remuneration policy to enable the Company to attract and retain executives and Directors who will create value for shareholders;
- Ensuring that the executive remuneration policy demonstrates a clear relationship between key executive performance and remuneration;
- Maintaining a Board that has an appropriate mix of skills and experience to be an effective decision making body; and
- Ensuring that the Board is comprised of Directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance.

Nanopac Innovation Ltd

ARBN 169 020 580

DIRECTOR'S REPORT

Your directors present their report on the Company for the financial period ended 31 December 2014

Directors

The names of directors in office at any time during or since the end of the period are:

DATO DR CHENG KOK LEONG - CHAIRMAN

TONG TUNG KEN - CEO

Mr Cheng has been in office sine incorporation on 7 March 2014 until the date of this report.

Mr Tong has been in office since the incorporation on 7 March 2014 until the date of this report.

Company Secretary

The position of company secretary from 7 March 2014 has been held by each of Westco Secretaries Pty Ltd and Mr Andrew David Bristow.

Principle Activities

The principle activity of the Company and its subsidiaries the manufacture distribution and sale of nanotechnology products.

Our business model and objectives

The Company proposes to generate future income by continuing to manufacture distribute and sell nanotechnology products.

Operating Results

The Company incurred a net operating profit loss profit for the period of A$ 361,122 (US$265,425)

Dividends Paid or Recommended

No dividends have been paid since the date of incorporation and the directors do not recommend the payment of a dividend.

Review of Operations

Nanopac Innovation Limited was incorporated on 7 March 2014. During the course of the period is issued an Information Memorandum to facilitate the raising of US$125,000 of additional capital and to have its shares admitted for quotation on the National Stock Exchange of Australia Limited. It has since listed its shares on the Frankfurt Stock Exchange.

Financial Position

The net assets of the Company during the financial period other than those disclosed elsewhere in this report.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Company during the financial period other than those disclosed elsewhere in this report.

After Balance Date Events

There have been no events that have affected or may significantly affect the operations of the Company, the results of those operations , or the state of affairs of the Company in the future since the Balance Date.

Future Developments and Business Strategies

The Company will pursue its investment objectives for the long-term benefit of members. This will require the continued review of the investment strategy that is in place and may from time to time require some changes to that strategy.

We do not believe it is possible or appropriate to make a prediction on the future course of markets or the performance of our Investments. Accordingly, we do not provide a forecast of the likely results of our activities.

Environmental Issues

The Company's operations are not regulated by any significant environmental regulation under the law of the Australia or elsewhere.

Dated 16 March 2014

Cheng Kok Leong

Chairman

Nanopac Innovation Ltd

ARBN 169 020 550

DIRECTORS' REPORT

Information on Directors

DATO DR CHENG KOK LEONG

Chairman.

Board member from 7 March 2014 to date.

Interest in Shares and Options
- 26,250,000 CDI's and 11,200',,000 A Class Converting Preference Shares

Special Responsibilities

Nil

Directorships held in other listed Entities

NIL

TONG TUNG KEN

-Executive Director-CEO

Board member from 7 March 2014 to date.

Qualification and Experience

Interest in Shares and Options

Nil

Special Responsibilities

Nil

Directorships held in other listed Entities

Nil

REMUNERATION REPORT (Audited)

This report details the nature and amount of remuneration for each director of Anchor Capital Investments Limited, and for the executives receiving the highest remuneration.

Remuneration Policy

All issues in relation of both Executive Directors and Non-Executive Directors are dealt with by the Board as a whole.

The Constitution Anchor Capital Investments Limited requires approval by the shareholders in general meetings of a maximum amount for consideration in general meeting, and in determining the allocation, the Board takes account of the time demands made on Directors, together with such factors as the general level of fees paid to Directors. The amount of remuneration currently approved by shareholders for Non-Executive Directors is a maximum of $50,000 per annum.

Non-Executive Directors hold office until such as they retire, resign or are removed from office under the terms set out in the constitution of the Company. Non-Executive Directors do not receive any performance based remuneration.

Details of remuneration for period ended 31 December 2014

Details of the remuneration for each Director of the Company was as follows:

Name	**Salary & Fees**	**Superannuation Contributions**	**Other**	Total
	$	$	$	$
Cheng Kok Leong	Nil	Nil	Nil	Nil
Tong Tung Ken	Nil	Nil	Nil	Nil

IQBAL YASIR & COMPANY
CHARTERED ACCOUNTANTS

FOSTERING FINANCIAL EXCELLENCE

Head Office:
RB-II, 2nd Floor, Flat No. 15, Awami Complex,
Usman Block, New Garden Town, Lahore.
Ph: 042-35940411-3 Fax: 042-35866042
Email: info@iyk.com.pk

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated statement of financial position of HANOPAC INNOVATION LIMITED (the parent company) and its subsidiary NANOPAC (M) SDN. BHD. (the company and its subsidiary constitute the group) as at December 31, 2014 and the related consolidated profit and loss account, consolidated statement of changes in equity, consolidated statement of cash flows together with the notes 1 to 23 forming part thereof for the period from March 10, 2014 to December 31, 2014.

We have also expressed opinion on the separate financial statements of the holding company. The financial statements of subsidiary company have also been audited by our firm of Chartered Accountants who expressed unqualified opinion on these financial statements.

The parent company's management is responsible for the preparation of these consolidated financial statements that present fairly, in all material respects, of the consolidated financial position, consolidated financial performance and consolidated cash flows of the group in accordance with the International Accounting and Financial Reporting Standards and the requirements of the Samoa's International Companies Act, 1987. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that present fairly and are free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with relevant legal and regulatory requirement and International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the separate audit reports on the financial statements of the subsidiary, the aforesaid consolidated financial statements present fairly, in all material respects, in conformity with the International Accounting and Financial Reporting Standards, and give the information required by the Samoa's International Companies Act, 1987.

Lahore
Date: 11 MAR 2015

IQBAL YASIR AND COMPANY
(Chartered Accountants)
Engagement Partner: Yasir Riaz

Registered Samoan Auditors

NANOPAC INNOVATION LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014

	Note	USD 2014
ASSETS		
NON CURRENT ASSETS		
Property, plant and equipment	6	1,413,340
Intangible assets	7	7,834
CURRENT ASSETS		
Inventories	8	12,315
Trade receivables	9	1,952,102
Advances, deposits and other receivables	10	5,853
Cash and bank balance	11	1,134,182
		3,104,452
TOTAL ASSETS		4,525,626
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorized share capital	12	14,000,001
Issued, subscribed and paid up capital	12	700,000
Consolidated retained earnings	13	3,089,728
Share holder's equity		3,789,728
CURRENT LIABILITIES		
Trade payables	14	115,827
HP creditors		36,040
Accruals and deposits received		554,777
Amount due to directors		29,254
		735,898
CONTINGENCIES AND COMMITMENTS	15	-
TOTAL EQUITY AND LIABILITIES		4,525,626

The annexed notes from 1 to 23 form an integral part of these financial statements.

DIRECTOR
CHENG KOK LEONG

DIRECTOR
TANG TUNG KEN

NANOPAC INNOVATION LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD FROM MARCH 07, 2014 TO DECEMBER 31, 2014

	Note	USD 2014
PROFIT OR LOSS ACCOUNT:		
Revenue	16	1,580,337
Cost of sales		(810,629)
Gross profit		**769,709**
Administrative expenses		(196,867)
Selling and marketing expenses		(17,457)
Other operating expenses		(289,960)
		(504,284)
Operating profit		**265,425**
Bargain purchase gain on acquisition of subsidiary	21	2,763,848
Finance cost		(1,260)
Profit before tax		**3,028,014**
Taxation	17	-
PROFIT AFTER TAX		**3,028,014**
Earnings per share basic and diluted - attributable to the Shareholder of parent company	18	**0.08**

The annexed notes from 1 to 23 form an integral part of these financial statements.

DIRECTOR
CHENG KOK LEONG

Registered Samoan Auditors

DIRECTOR
TANG TUNG KEN

NANOPAC INNOVATION LIMITED
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD FROM MARCH 07, 2014 TO DECEMBER 31, 2014

	Note	USD 2014
Profit for the year		3,028,014
Other comprehensive income		
Items that may not be reclassified subsequently to profit or loss account:		
Exchange Gain/(Loss) on translating foreign operations		61,714
Income tax relating to items that may be reclassified	17	-
		61,714
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,089,728

The annexed notes from 1 to 23 form an integral part of these financial statements.

DIRECTOR
CHENG KOK LEONG

DIRECTOR
TANG TUNG KEN

IQBAL YASIR & COMPANY Registered Auditors Chartered Accountants

NANOPAC INNOVATION LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM MARCH 07, 2014 TO DECEMBER 31, 2014

	Share capital		Reserves			Total equity and reserves
	Ordinary	Convertible	Foreign currency translation reserve	Consolidated retained earnings	Total	
	------------------------------USD------------------------------					
Shares issued during the period	500,000	200,000	-	-	-	700,000
Profit for the period ended December 31, 2014	-	-	-	3,028,014	3,028,014	3,028,014
Other comprehensive income	-	-	61,714	-	61,714	61,714
Balance as at December 31, 2014	500,000	200,000	61,714	3,028,014	3,089,728	3,789,728

The annexed notes from 1 to 23 form an integral part of these financial statements.

DIRECTOR
CHENG KOK LEONG

DIRECTOR
TANG TUNG KEN

NANOPAC INNOVATION LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM MARCH 07, 2014 TO DECEMBER 31, 2014

	Note	USD 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		3,028,014
Adjustments for:		
- Bargain purchase gain on acquisition of subsidiary		(2,763,848)
- Exchange difference on translation of foreign operations		61,714
- Financial charges		1,260
- Depreciation		249,413
		(2,451,461)
Operating profit before working capital changes		576,553
WORKING CAPITAL CHANGES		
(Increase)/decrease in current assets		
Inventories		28,398
Trade receivables		(1,055,170)
Advances, deposits and other receivables		832,545
Increase/(decrease) in current liabilities		
Trade payables		238,402
HP creditors		36,040
Accruals and deposits received		554,777
Amount due to directors		185,119
		15,777
Cash generated from operations		592,330
- Finance cost paid		1,260
Net cash outflows from operating activities		593,589
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash of subsidiary on acquisition date		863,268
Fixed Assets purchased		(562,188)
Intangibles purchased		(7,834)
Net cash inflows from investing activities		293,246
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued during the period		250,000
Net cash inflows/(outflows) from financing activities		250,000
Net increase in cash and cash equivalents		1,136,835
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at the end of the period		1,136,835

The annexed notes from 1 to 23 form an integral part of these financial statements.

DIRECTOR
CHENG KOK LEONG

DIRECTOR
TANG TUNG KEN

NANOPAC INNOVATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM MARCH 07, 2014 TO DECEMBER 31, 2014

1. STATUS AND NATURE OF BUSINESS

The group consists of the following companies:

1.1 Holding company

Nanopac Innovation Limited was incorporated under the international Companies Act, 1987 in Samoa as an international company on the March 07, 2014. The registered office of the company is situated at Level 2, Lotemau Centre, Vaea Street, Apia, Samoa. The principal activities of the company are investment holding and engaged in manufacturing, supplying, importing, exporting of nano technology products, photo catalyst power, coating solution and chemical solutions of every description.

1.2 Subsidiary company

Nanopac (M) SDN. BHD. (634805-K) is a private limited liability company incorporated and domiciled in Malaysia. The principal activities of the company are investment holding and engaged in manufacturing, supplying, importing, exporting of nano technology products, photo catalyst power, coating solution and chemical solutions of every description. There have been no significant changes in the nature of these activities during the financial year. The registered office of the company is at 67-1, Jalan Puteri 5/7 Bandar Puteri 47100 Puchong, Selangor Darul Ehsan. The address of the principal place of business of the company is No.27, Jalan Rajawali 2, Bandar Puchong Jaya, 47100 Puchong, Selangor Darul Ehsan.

2 PREPARATION AND COMPLIANCE STATEMENTS

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and have been prepared on a historical cost basis.

Theses financial statements are the first accounts of the company and accordingly have been prepared from the date of incorporation on March 10, 2014 to December 31, 2014

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary made up to December 31, 2014 using purchase method of accounting.

Under the purchase method of accounting, the cost of the business combination is measured at the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed, and equity.

At the acquisition date, the cost of the business combination is allocated to identifiable assets, liabilities and contingent liabilities in the business combination which are measured initially at closing values at the acquisition date. The excess of the cost of the business combination over the Group's interest in the net closing value of the identifiable assets, liabilities and contingent liabilities, the Group will:

a) Reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and

b) Recognize immediately in profit or loss any excess remaining after that assessment.

Subsidiaries are consolidated from the acquisition date, which is the date on which the group effectively obtains control, until the date on which the group ceases to control the subsidiaries. Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable are taken into the account.

Registered Samoan Auditors

Intragroup balances, transactions and unrealized gains and losses on the intragroup transactions are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in consolidated financial statements. If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing consolidated financial statements.

The gain or loss on the disposal of a subsidiary, which the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the carrying amount of goodwill and the cumulative amount of any exchange differences that relate to the subsidiary, is recognized in the consolidated statement of comprehensive income.

Under the purchase method of accounting ,the cost of business combination is measured at the aggregate of fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued. Non controlling interest is that portion of the profit or loss and net assets of the subsidiary attributable to the equity interests that are not owned, directly and indirectly through subsidiaries, by the group. It is measured at the Non controlling interest share of the fair value of the subsidiaries identifiable assets and liabilities at the acquisition date and the Non controlling interest share of changes in the subsidiaries equity since that date.

2.3 Statement of compliance

These financial statements have been prepared in accordance with the International Accounting and Financial Reporting Standards and the requirements of the Samoa's International Companies Act, 1987. In case requirements differ, the provisions or directives of the International Companies Act, 1987 shall prevail.

3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Standards, amendments and interpretations which became effective during the year

Below is a list of the amendments to IFRSs and the new Interpretations that are mandatorily effective for accounting periods that begin on or after 1 January 2014.

- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities;
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities;
- Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting; and
- IFRIC 21 Levies.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and introduce an exception from the requirement to consolidate subsidiaries for an investment entity. In terms of the exception, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities.

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To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is an investment entity when it:

- obtains funds from one or more investors for the purpose of providing them with investment management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates performance of substantially all of its investments on a fair value basis.

Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities. In general, the amendments require retrospective application, with specific transitional provisions.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'. The amendments require retrospective application.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements. The amendments require retrospective application.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. The amendments require retrospective application.

IFRIC 21 Levies

IFRIC 21 addresses the issue of when to recognize a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. IFRIC 21 requires retrospective application.

Registered Samoan Auditors

3.2 Standards, amendments or interpretations issued but not yet effective

Below is a list of new and revised IFRSs that are not yet mandatorily effective (but allow early application) for the year ending 31 December 2014:

• IFRS 9 Financial Instruments;
• IFRS 14 Regulatory Deferral Accounts;
• IFRS 15 Revenue from Contracts with Customers;
• Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations;
Amortization;
• Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants;
• Amendments to IAS 19 Defined Benefit Plans: Employee Contributions;
• Annual Improvements to IFRSs 2010-2012 Cycle; and
• Annual Improvements to IFRSs 2011-2013 Cycle.

3.3 There are a number of other minor amendments and interpretations to other approved accounting standards that are not yet effective and are also not relevant to the Company and therefore have not been presented here.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group.

4.1 Useful lives of property, plant and equipment

As described at 5.2 of the financial statements, the Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the directors determined that the useful lives of items of property, plant and equipment was in line with the pattern of their usage and be maintained at the current levels.

4.2 Revenue Recognition

In making their judgment, the directors considered the detailed criteria for the recognition of revenue from the rendering of services as set out in IAS 18 and, in particular, whether the Group has established the right to record the said revenue.

Registered Samoan Auditors

5 SIGNIFICANT ACCOUNTING POLICIES

5.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognized either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

5.2 Property, plant and equipment

Owned assets:

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost in relation to property plant and equipment consists of historical costs and subsequent changes due to revaluations, if any.

Depreciation on property, plant and equipment is charged on reducing balance method at the rates stated in note 4 to these financial statements.

Depreciation charge commences from the month in which asset is available for use and continues until the month of disposal.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and assets so replaced ,if any, are retired. Gains and losses on disposal of property, plant and equipment are recognized in the profit or loss account.

5.3 Impairment of assets

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss if any. An impairment lose is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Impairment losses are charged to the profit and loss account, but if any revaluation surplus in respect of such assets exists, then such impairment is firstly charged against that surplus and then remaining portion, if any, is charged to profit or loss account.

5.4 Trade receivables

Receivables are stated at anticipated realizable value. Bad debts are written off in the period in which they are identified. Allowance for bad and doubtful debts is made on estimates of possible losses which may arise from non-collection of certain debts.

5.5 Trade creditors

Payables are stated at their nominal values which are the fair values of the consideration to be paid in the future for goods and services received.

5.6 Cash and cash equivalent

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and fixed deposits pledged.

5.7 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions, if any.

5.8 Foreign currencies

Transactions in foreign currencies during the financial year are converted into US Dollars at exchange rates ruling at the transaction dates. Foreign currency monetary assets and liabilities at the statement of financial position date are translated into US Dollars at exchange rates ruling at that date. All exchange gains or losses are dealt with in the income statement.

5.9 Translation of foreign operations

Items included in the financial statements of each of Nanopac's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US Dollar (USD$) which is the Parent company's functional and presentation currency.

5.10 Functional currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. The financial statements of subsidiary Nanopac (M) SDN. BHD. is consolidated at the rate of 1 MYR= 0.30509 USD at the acquisition date of 8 June, 2014 and 1 MYR= 0.312302 USD at the reporting date of December 31, 2014.

5.11 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be measured reliably. Revenue is shown at value of goods sold and services rendered net of return inwards and discounts allowed. Revenue from sales of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyers.

5.12 Financial instruments

Financial instruments are recognized in the Balance Sheet when the Company is a party to the contractual provision of the instruments. The recognized financial instruments of the company in the statement of financial position comprise cash and cash equivalents, trade receivables and payables that arise directly from its operations, non-trade receivables and payables arising from transactions entered into in the normal course of business, borrowings, and ordinary share capital. The accounting of measurement applied, are disclosed above. The information on the extent and nature of these recognized financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows are disclosed in the respective notes to the financial statements.

5.13 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet, if the company has a legally enforceable right to offset the recognized amounts and the company intends to settle either on a net basis or realize the asset and settle the liability.

6 PROPERTY, PLANT AND EQUIPMENT

Particulars	COST			Rate %	DEPRECIATION				WDV as on Dec 31, 2014
	As on March 07, 2014	Acquired in business combination	As on June 30, 2014		As on March 07, 2014	Acquired in business combination	For the Period	As on Dec 31, 2014	
	(USD)				(USD)				
Furniture and fittings	-	6,674	6,674	20	-	6,674	-	6,674	-
Office equipment	-	8,856	8,856	20	-	5,357	525	5,882	2,974
Computer	-	10,545	10,545	20	-	8,240	346	8,586	1,959
Machinery	-	4,238,202	4,238,202	20	-	2,583,558	248,197	2,831,755	1,406,448
Renovation	-	5,176	5,176	20	-	2,871	346	3,217	1,959
Total	-	4,269,453	4,269,453		-	2,606,700	249,413	2,856,113	1,413,340

7 INTANGIBLE ASSETS

Particulars	COST			Rate %	DEPRECIATION			WDV as on Dec 31, 2014
	As on March 07, 2014	Acquired in business combination	As on Dec 31, 2014		As on March 07, 2014	For the Period	As on Dec 31, 2014	
	(USD)				(USD)			
Software	-	8,000	8,000		-	166	166	7,834
Total	-	8,000	8,000		-	-	166	7,834

Iqbal Yasir & Company (Chartered Accountants) Registered Auditors

		Note	2014 USD
8	**INVENTORIES**		
	- Nano technology products		12,315
9	**TRADE RECEIVABLES**		

The Company's normal trade credit terms vary from 30 to 90 days. Other trade credit terms are assessed and approved on a case-by-case basis.

		Note	2014 USD
10	**ADVANCES, DEPOSITS AND OTHER RECEIVABLES**		
	Other receivables		2,288
	Deposits		3,565
			5,853
11	**CASH AND BANK BALANCE**		
	Cash in hand		-
	Cash at bank:		
	- current accounts		-
	- saving accounts		1,134,182
			1,134,182
12	**SHARE CAPITAL**		
	Authorized share capital		
	Ordinary Share Capital		
	1,000,000,000 ordinary shares of USD 0.01 each		10,000,000
	1 founder share of USD 1.00 each		1
			10,000,001
	Convertible Shares		
	400,000,000 convertible shares of USD 0.01 each		4,000,000
			14,000,001
	Issued, subscribed and paid up share capital		
	Ordinary Share Capital		
	50,000,000 shares of US $ 0.01 each		500,000
	Convertible Share Capital		
	20,000,000 shares of US $ 0.01 each	12.1	200,000
			700,000

12.1 The convertible shares are convertible at the option of the company once the company has raised additional capital in access of USD 30 million. These share are not entilited to the dividends declared by the company before any conversion. The company retains the right to either convert the shares into ordinary share or to pay them off and redeem them.

13 CONSOLIDATED RETAINED EARNINGS

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Malaysian income Tax Act 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

14 TRADE PAYABLES

The normal trade credit terms granted to the company vary from 30 to 60 days.

15 CONTINGENCIES AND COMMITMENTS

CONTINGENCIES:

There were no contingencies as on the statement of financial position date.

COMMITMENTS:

There were no capital commitments as on the statement of financial position date.

16 REVENUE

Revenue represents invoiced value from sales of nano technology products less return inwards and discount allowed.

17 TAXATION

According to the management of the group, the parent company as well as its subsidiary company are not liable to pay any tax in any jurisdiction.

18 EARNINGS PER SHARES

		2014
Profit after taxation for the year	USD	3,028,014
Weighted average number of ordinary shares	Number of shares	40,320,946
Earnings per share - basic and diluted	USD	0.08

18.1 There is no dilutive effect on basic earnings per share.

19 FINANCIAL RISK MANAGEMENT

19.1 Financial risk factors

Financial instruments comprise advances, deposits, interest accrued, trade debts, cash and bank balances, short term borrowings and trade and other payables, short term investments.

The Group has exposure to the following risks from its use of financial instruments:

Market risk
Liquidity risk
Credit risk

The Board of Directors has the overall responsibility for the establishment and oversight of Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Group's activities.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

19.1.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist.

The Group's exposure to currency risk arising from currency exposure to the United States Dollar (USD) on amounts placed with scheduled banks in foreign currency account.

Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group has no significant long-term interest-bearing assets. The Group's interest rate risk arises from short term borrowing. Borrowings obtained at variable rates expose the Group to cash flow interest.

Interest rate risk management

The Group manages interest rate risk by analyzing its interest rate exposure on dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points.

19.1.2 Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate. The table below shows the major bank balances held.

19.1.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

19.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Financial instruments by categories	Held to Maturity	Available for sale	Loans, receivables/
	-------- (USD) ---------		
Assets as per balance sheet			
Trade receivables	-	-	1,952,102
Advances, deposits and other receivables	-	-	5,853
Cash and bank balance	1,134,182	-	-
	1,134,182	-	1,957,955
Liabilities as per balance sheet			
Trade creditors	-	-	151,867
	-	-	151,867

19.3 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of equity of the Group (comprising issued capital, reserves and retained earnings). The Group is not subject to any externally imposed capital requirements.

The Group's risk management committee reviews the capital structure of the Group on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Currently the group is an all equity financed entity.

20 RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. There are no related party transactions in the year

21 BUSINESS COMBINATION

As at July 16, 2014 the company acquired Nanopac (M) SDN. BHD. (634805-K), a company with its registered office in Hong Kong.

The acquisition was accounted for by applying the purchase method. The cost of the acquisition was measured at the fair value of the consideration given. Identified assets acquired, liabilities assumed or incurred have been carried at the fair value as at the acquisition date.

	2014
Fair value of identifiable net assets at date of acquisition	**3,338,848**
Percentage of identifiable net assets acquired	**100%**
Purchase consideration paid in ordinary shares of the company	**575,000**
Bargain Purchase Gain	**2,763,848**

22 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved and authorized for issue on 11 march 2015 by the Board of Directors of the parent company.

23 GENERAL

Figures have been rounded off to the nearest US Dollar.

DIRECTOR
CHENG KOK LEONG

DIRECTOR
TANG TUNG KEN

Nanopac Innovation Limited

ARBN 169 020 580

STOCK EXCHANGE INFORMATION

Nanopac Innovation Limited
CHESS Depositary Interests Over Fully Paid Ordinary Shares
Top 20 Holdings as at 13-03-2015

Holder Name	Balance at 13-03-2015	%
DATO DR CHENG KOK LEONG	6,538,673	21.571
NANOPAC CO LTD	6,000,000	19.794
YUEN YUET LENG	3,750,000	12.371
LEE TAI KYU	1,500,000	4.948
CHONG AI LEE	1,143,855	3.774
CHENG KOK KEONG	900,000	2.969
CHANG CHU KIAN	500,000	1.649
GOH POI LENG	500,000	1.649
LEI AH SOCK	500,000	1.649
LIM MENG HING	472,500	1.559
CHIN YOKE YOOI	300,000	0.990
CHANG HON MENG	300,000	0.990
FOO KAH HIN	254,770	0.840
TAN CHEE YUEN	250,000	0.825
LEE LAY SENG	250,000	0.825
SIAN KIM KEONG	225,230	0.743
TOH TECK BOON	210,000	0.693
TAN JIT SUA	210,000	0.693
SEW KEAN MING	200,000	0.660
LIM MENG SY	200,000	0.660

Analysis of Holdings as at 12-03-2015
Security Classes
CHESS Depositary Interests Over Fully Paid Ordinary Shares

Holdings Ranges	Holders	Total Units	%
1-1,000	0	0	0.000
1,001-5,000	11	37,055	0.122
5,001-10,000	5	37,327	0.123
10,001-100,000	7	375,567	1.239
100,001-99,999,999,999	49	29,862,551	98.516
Totals	**72**	**30,312,500**	**100.000**

Substantial shareholders	Shares	%
DATO DR CHENG KOK LEONG	6,538,673	21.571
NANOPAC CO LTD	6,000,000	19.794
YUEN YUET LENG	3,750,000	12.371

Nanopac Innovation Ltd

ARBN 169 020 580

CORPORATE DIRECTORY

DIRECTORS

Dr Dato Cheng

Tong Tung Ken

SECRETARY

WESTCO SECRETARIES LTD

LEVEL 2 LOTEMAU CENTRE

VAEA STREET

APIA SAMOA

ANDREW BRISTOW - AUSTRALIA

REGISTERED OFFICE – SAMOA

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LEVEL 2 LOTEMAU CENTRE

VAEA STREET

APIA SAMOA

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NOMINATED ADVISOR

HIGHGATE CORPORATE ADVISORS PTY LTD

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AUDITOR

IQBAL YASIR & COMPANY

CHARTERED ACCOUNTANTS

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AWAMI COMPLEX

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LAHORE PAKISTAN

(REGISTERED IN SAMOA)

CDI/SHARE REGISTRY

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SYDNEY NSW 2000